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# ***JPRS Report***

## ***Supplement***

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# **East Europe**

## ***Recent Legislation***

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# East Europe Supplement Recent Legislation

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**Law on Foreign Aid Agency**

91BA0098A Sofia DURZHAVEN VESTNIK  
in Bulgarian 9 Nov 90 p 1

[Law on Foreign Aid Agency, adopted by Grand National Assembly on 2 November 1990, sealed with the official seal, and signed by Deputy Chairman of the Grand National Assembly Gin'o Ganev]

[Text] Ukase No. 110 of the Grand National Assembly, issued in Sofia on 6 November 1990, sealed with the official seal, and signed by President of the Republic Zhelyu Zhelev:

On the basis of article 84, paragraph 1, and article 92, subparagraph 8 of the Constitution of the Bulgarian People's Republic, I decree as follows:

The Foreign Aid Agency Law, adopted by the Grand National Assembly on 2 November 1990, shall be published in DURZHAVEN VESTNIK.

**LAW ON FOREIGN AID AGENCY**

**Article 1.** (1) A Foreign Aid Agency shall be established.

(2) The Foreign Aid Agency shall be a state body for the acceptance, safekeeping, and distribution of and control over the utilization of aid extended to the Bulgarian state by foreign states, organizations, and citizens for humanitarian purposes.

(3) The agency shall be a budget-financed juridical person, with headquarters in Sofia.

**Article 2.** (1) The governing authorities of the agency shall be a management board and a director.

(2) The management board shall consist of up to three representatives of the president of the Republic and of the chairman of the Council of Ministers, six people's representatives appointed by the political forces represented in the Grand National Assembly, and the director.

(3) Members of the management board shall be appointed and relieved of duty by the president of the Republic. The director shall be appointed and relieved of duty by the president of the Republic on proposal of the chairman of the Council of Ministers.

**Article 3.** (1) The following may participate in sessions of the management board: representatives of the Bulgarian Red Cross, of other Bulgarian organizations that receive and distribute humanitarian aid, of trade union organizations, of foreign nongovernmental organizations the object of whose activities is the granting, distribution, and utilization of humanitarian aid, as well as representatives of the donors.

(2) The director shall represent the agency. He shall preside at sessions of the management board, direct the agency's operational activity, and appoint and dismiss the agency's employees.

**Article 4.** (1) In the execution of its legal powers under Article 1, the management board shall issue regulations and make decisions, and the director shall issue orders.

(2) The agency shall publish in DURZHAVEN VESTNIK all data regarding the aid received and its decisions regarding the distribution thereof.

(3) The agency shall render an accounting of its activity annually to the Grand National Assembly.

(4) The agency shall inform the president of the Republic every month of its activity.

**Article 5.** (1) All government bodies and economic and public organizations shall make available to the agency information requested in connection with the activity it performs.

(2) On request of the donors, the agency shall give them full information regarding the distribution and utilization of the aid granted by them.

**Article 6.** The relief funds received and distributed in accordance with this law shall be exempt from fees, taxes, excises, and customs.

**Additional Provision**

1. Aid in the sense of this law shall be any donation made to the Bulgarian Government for humanitarian purposes.

**Final Provision**

2. The execution of this law shall be entrusted to the president of the Republic and the chairman of the Council of Ministers.

**Law on Individual Income Tax**

91CH0102C Prague SBIRKA ZAKONU in Czech  
28 Sep 90 pp 1426-1438

["Text" of Law No. 389/1990 Sb. of 18 September 1990 on Individual Income Tax]

[Text] The Federal Assembly of the Czech and Slovak Federal Republic has passed the following law:

**PART I****TAX LIABILITY****Section 1****Taxpayers**

1. Individual income tax (hereinafter: tax) is paid by persons whose income is taxable in accordance with the present law.
2. Persons who maintain their permanent residence (hereinafter: residence) in the Czech and Slovak Federal Republic or usually stay here are liable to pay tax on their income from domestic and foreign sources.
3. A person who usually stays in the Czech and Slovak Federal Republic means a person who in the given calendar year has spent at least 183 days on the territory of the Czech and Slovak Federal Republic, during one or more stays of any length.
4. Persons who neither maintain their residence in the Czech and Slovak Federal Republic nor usually stay here are taxed only on their income from sources on the territory of the Czech and Slovak Federal Republic.

**Section 2****Source of Income**

1. The source of income of persons who neither have a permanent residence in the Czech and Slovak Federal Republic nor usually stay here means the source of income on the territory of the Czech and Slovak Republic, if the income in question constitutes:
  - a) Income from a business conducted in a permanent establishment on the territory of the Czech and Slovak Federal Republic;
  - b) Income from services and other activities, performed personally and independently, if a permanent installation on the territory of the Czech and Slovak Federal Republic is used to conduct such activities;
  - c) A share of the profit paid by legal entities or persons with a place of business or residence on the territory of the Czech and Slovak Federal Republic; or
  - d) Income from payments by legal entities or persons with a place of business or residence on the territory of the Czech and Slovak Federal Republic. Such income includes particularly:

1) Interest payments;

2) Royalties for using, or for the right to use, patents, trademarks, designs, models, plans, secret formulas or processes, information involving industrial, commercial or scientific knowledge and experience, or technical know-how;

3) Royalties for using, or for the right to use, industrial, commercial or scientific equipment;

4) Royalties for using, or for the right to use, literary, artistic or scientific works protected by copyright.

2. A permanent installation on the territory of the Czech and Slovak Federal Republic that is used to pursue an occupation is regarded as a permanent establishment. Such installations are particularly construction sites, shops, offices, plants for the extraction of natural resources, and other places of business. Construction sites, and construction and installation work, including repairs, are regarded as permanent establishments only if their duration is longer than 6 months (regardless of the tax reporting period).

**Section 3****Taxable Income**

1. A person's income is subject to individual income tax, with the exception of the income from:

- a) Employment or a relationship similar to employment;
- b) Literary or artistic work, and the royalties from copyright inherited by the author's widow, until she remarries, or by his children who are under age.

2. The business income of taxpayers who are entered in the register of firms,<sup>1</sup> except their remuneration and the amount of profit they withdraw for their personal use (Section 7, Paragraphs 2 and 3), is not subject to individual income tax.

**Section 4****Tax Exempt Income**

The following are exempt from individual income tax:

- a) Income that members of agricultural cooperatives receive from their cooperative as remuneration for their work, or as installments on the compensation for property they contributed to the cooperative;
- b) Compensation from insurers and compensation for damages, except the compensation that is due for loss of earnings pursuant to the Labor Code;
- c) The amounts received as inheritance or gifts;
- d) Income from the sale of real estate that has been held at least two years since its acquisition, except if the



real estate was acquired in conjunction with the rectification of injustices; the exemption does not apply to income from the sale of real property that the taxpayer realized or used in his gainful occupation;

e) Income from the sale of personal property, except automobiles held less than six months and securities held less than three months; the exemption does not apply to income from the sale of personal property that the taxpayer realized or used in his gainful occupation;

f) Winnings in lotteries or as bets on races and similar games;<sup>2</sup>

g) Prizes not exceeding 5000 korunas [Kcs], won in public competitions or sports;

h) Interest and prizes, including bonuses and other material advantages, from savings accounts; interest from current accounts, current savings accounts or foreign currency accounts; and interest from state bonds issued in conjunction with rehabilitation and the rectification of injustices;

ch) Compensation awarded in rehabilitation proceedings and in conjunction with the rectification of injustices;

i) Received alimony and maintenance payments, pursuant to the Family Law;

j) Benefits and services received under sickness insurance and social security, family allowances, allowances for children in foster care, fees paid to foster parents, and state compensatory allowances for pensioners; k) Relief from statutory funds and from foundations, provided in accordance with the purpose for which they were established;

l) Payments to beekeepers for bringing their hives to insect-pollinated crops;

m) Lump sum reimbursements of material costs, provided in accordance with the labor regulations to persons working as employees, and the amounts paid them for the use of their own tools and equipment necessary for their work; if such tools and equipment are fixed assets,<sup>3</sup> the aforementioned amounts are exempt up to the amounts of their current depreciation;

n) Rewards received by rescuers, and the special payments received by the donors of blood or other biological material, and by persons who submit to experimental medical procedures; and

o) The pay and allowances of persons performing civilian service.<sup>4</sup>

## Section 5

### The Tax Base

1. The base of individual income tax is the difference between a person's gross income during the calendar year and his expenses, in a breakdown by sources of

income (Sections 6-8), except in the case of income that is taxed at a flat rate (Section 12).

2. Income in kind (payments received in kind) is also a part of the taxpayer's income. But the consumption or use of the goods or services that the taxpayer produces or provides as a gainful occupation are not included in his income, and the expenses that can be charged to such consumed or used goods or services are not included in the expenses pursuant to Section 9.

3. When determining the tax base, only the income and expenses during the calendar year for which the tax is being levied are taken into consideration. Receivables and inventories at the beginning of the year are disregarded. However, the inventories the taxpayer procured the year before are taken into account the year he starts his gainful occupation.

4. If the taxable income the taxpayer received in one sum was actually earned over a period of several years or was the income for several years from property or rights of monetary value, then the taxable income is divided into as many parts as there were years in the period or as the number of years the income covered, but into three parts at most, and the expenses incurred in the previous years are taken into consideration. One part is included in the tax base for the year in which the income was received, the tax rate applicable to the tax base is determined, and then the same tax rate is applied to the remaining one or two parts. The sum of the taxes on the income divided in this manner is the tax liability.

5. The provisions of Paragraphs 3 and 4 do not apply to taxpayers who use double-entry bookkeeping<sup>5</sup> or when the tax base and the tax are determined differently (Sections 12 and 13).

6. When a husband and wife are pursuing a gainful occupation jointly as their principal occupation, the tax base is determined by evenly splitting between them the income and expenses of that occupation. The gainful occupation is the principal occupation if the taxpayer does not collect an old-age or disability pension, has health insurance and pension insurance coverage for the self-employed, and the income on which his insurance premiums are based<sup>6</sup> is higher than his income from other sources.

7. If one spouse has a gainful occupation in which the other spouse helps out, then the tax base for that gainful occupation is split between them by allocating at most 30 percent of the tax base to the helping spouse; the tax base allocated to the helping spouse may not exceed Kcs120,000 a year.

8. If fixed assets<sup>3</sup> are sold that the taxpayer used in his gainful occupation, and on which he charged depreciation as an expense necessary to maintain his income, then the tax base is increased by the amount by which the proceeds from the sale exceed the taxpayer's procurement cost less the accumulated depreciation.

9. When minor and short-lived tools and equipment or other inventories are sold that the taxpayer had claimed as a deductible expense of his gainful occupation, then the proceeds from the sale are included in the tax base. Minor and short-lived tools and equipment are items whose procurement cost is less than Kcs5000 per item, or whose service life is shorter than one year if the procurement cost per item exceeds Kcs5000.

10. When the tax liability of a taxpayer pursuing a gainful occupation ceases, the value of his minor and short-lived tools and equipment and of his other inventories is appraised at the amount they probably would have fetched if sold at the time when the tax liability ceased, and this amount is then included in the tax base for the year in which the tax liability ceased. The same applies to receivables, unless they are uncollectible.

### Section 6

#### Income From Farming

1. Income from farming is income:

a) From crop and livestock production, forestry, or fish farming on land or on water-covered land owned or used by citizens, or held and enjoyed by them on the basis of some other right, or perhaps conducted without any land;

b) From the sale of home grown produce and own livestock products, including the resale of agricultural products purchased from other citizens;

c) From farming-related seasonal occupations using agricultural assets, usually at a time when they otherwise would not be fully utilized (carting or skidding logs to the landing, for instance);

d) From subsidiary production linked to crop production or livestock production if it is limited to the processing of home grown agricultural products, or from seasonal production (cottage industry production of wooden utensils and furniture, or of wickerwork goods, for instance).

2. An occupation that the taxpayer has registered with the appropriate agency<sup>7</sup> or has entered in the register of firms cannot qualify as seasonal occupation, subsidiary production, seasonal production or sale of agricultural products.

3. The difference between the income realized and the expenses incurred to realize, secure, and maintain the income is included in the tax base. In the case of taxpayers who are farming land, the tax base includes at least an amount corresponding to the average net income per hectare (hereinafter: the average net income) multiplied by the combined total area of all the land suitable for farming. In the case of growing crops in unheated glass- or plastic-covered greenhouses, the amount of income included in the tax base is at least ten times the average net income [for the growing area]; and in the

case of glass- or plastic-covered hothouses, at least 50 times the average net income.

4. The table of average net incomes is presented in the supplement.

5. The following are included in the total area for computing the tax base by using average net income:

a) Pastures, unless their conversion into plowland has been ordered on the basis of regulations for the protection of farmland, at two-tenths of their actual area;

b) Other farmland, at its full area;

c) Water-covered areas used for farming, at three-tenths of their actual area;

d) Other nonagricultural land<sup>8</sup> that is used for farming, at its actual area.

6. If the income is determined by using average net income, it applies to the combined total area of all the land listed in Paragraph 5, as it existed on the last day of the year for which tax is being levied, or on the day the taxpayer's liability ceased.

### Section 7

#### Income From Business or Other Gainful Occupations

1. For the taxpayer who is not entered in the register of firms<sup>1</sup> and has business income,<sup>9</sup> or who has income from some other gainful occupation,<sup>10</sup> the tax base is the difference between his income from the given gainful occupation and the expenses he incurred to realize, ensure and maintain that income.

2. For the taxpayer who is entered in the register of firms,<sup>1</sup> the tax base includes the amount of profit he withdrew from the business for his personal use, and the amount of his remuneration for active participation in the business and charged to business expenses. The taxpayer's remuneration for active participation in the business may not exceed Kcs10,000 a month.

3. For the taxpayer who is a partner in a firm, the tax base includes his share of the profit, and the amount of his remuneration for active participation in the firm and charged to business expenses, unless his remuneration qualifies as income from employment. The taxpayer's remuneration may not exceed Kcs10,000 a month.

4. For the taxpayer who is a member of a consortium, the tax base includes his share of the consortium's income and expenses.

5. For the taxpayer who is a silent partner, the tax base includes his share of the firm's profit.

6. Rental income means the rent actually collected as defined in the House Tax Law.<sup>11</sup> The rental value of the building or part of a building the taxpayer and his family occupy, or which he lets others occupy rent free, is not rental income. Neither is the rental value of the service

apartment or other housing units the taxpayer lets his employees occupy rent free or for rent that is included in their pay, provided their pay is an expense necessary to realize taxable income. If the entire building is not rented, only prorated expenses may be deducted from rental income.

## Section 8

### Other Income

1. Other income means one time or unexpected income such as, for instance, royalties from inherited copyright or income from the sale of property. The tax base is either the difference between the income and its provably incurred necessary expenses, or a percentage of the income (Section 9, Paragraph 4).

2. In taxing income from the sale of the taxpayer's property, unless the income is tax exempt, the expenses pursuant to Paragraph 1 are the taxpayer's proven cost of building or acquiring the property, or the value of the property established during probate or conveyancing if the property had been inherited or transferred as a gift, plus the proven costs of repairs, maintenance and other improvements to the property.

## Section 9

### Expenses To Realize, Ensure, and Maintain Income

1. To determine the tax base, the expenses incurred to realize, ensure and maintain income are deducted from income in the amounts proven by the taxpayer. At the same time:

a) Depreciation of fixed assets is deducted as determined by the method that generally binding statutory regulations specify for computing the depreciation of fixed assets,<sup>12</sup> unless the taxpayer chooses the accelerated depreciation that the present law allows (Section 28, Paragraph 4);

b) Interest paid on loans and credits to build, rebuild and modernize fixed assets related to the taxpayer's gainful occupation is deducted in the proven amount;

c) The taxpayers who ensure the training of apprentices deduct the costs of training apprentices of the secondary vocational schools and similar institutions, in the amount that generally binding statutory regulations<sup>13</sup> specify for organizations.

2. The following are expenses incurred to realize and ensure income:

a) The costs of minor and short-lived tools and equipment (Section 5, Paragraph 9);

b) The costs of directly advertising the taxpayer's business or other gainful occupation;

c) Entertainment costs, up to 1 percent of gross income;

d) Reimbursement of the employees' travel expenses, in the amount that generally binding statutory regulations<sup>14</sup> specify;

e) The cost of using the taxpayer's car for business or other gainful occupation; this expense may also be claimed at the flat rates that generally binding statutory regulations specify for employees<sup>15</sup> if no depreciation is being claimed on the car;

f) The health insurance and pension insurance premiums paid for the taxpayer and his employees;

g) The premiums paid for the taxpayer's liability insurance in conjunction with his business or other gainful occupation, and to insure property that is necessary for the business or other gainful occupation;

h) The house tax and land tax on income-producing property, the fees for registering or licensing the taxpayer's business or other gainful occupation, and the fees in conjunction with his gainful occupation;

ch) Research and development costs, and royalty payments for the right to use the copyright-protected material, industrial property and technical know-how of third persons;

i) Expenses equivalent to the costs of providing nurseries, kindergartens, plant cafeterias, and educational opportunities for employees, in the amounts that generally binding statutory regulations specify for organizations;<sup>16</sup>

j) The contributions by attorneys to the welfare fund and operations of the Czech Chamber of Attorneys and the Slovak Chamber of Attorneys, respectively, and the similar contributions by commercial arbitration board lawyers.

3. Particularly the following are not expenses incurred to realize and ensure income:

a) Expenses for the personal needs of the taxpayer and his family;

b) Remuneration paid the taxpayer's spouse;

c) Expenses in the nature of sanctions and property losses;

d) The costs of building, rebuilding, and modernizing fixed assets related to a gainful occupation.

4. Taxpayers have the option to deduct expenses from gross income as a percentage of that income, namely:

a) For the costs of livestock production, of breeding domestic animals or animals for aquariums and terrariums, and of skidding logs - 55 percent.

b) For the costs of growing special crops - 45 percent.

c) For the costs of other farm production, of selling stuffed and mounted animals, of providing temporary accommodations, of renting a part of an apartment for

permanent occupancy, of utilizing [showing] collections and their items - 40 percent.

d) For the costs of small businesses and of renting buildings, if the costs are not expensed in accordance with Items a), b) or c) - 30 percent.

e) Ten percent in all other instances.

5. Expenses cannot be claimed pursuant to Paragraph 4 in the case of income received as a share of the profit or as remuneration for active participation.

6. If the taxpayer's expenses were for taxable income as well as for nontaxable income or for his own or his family's personal needs, then only a prorated share of the expenses may be deducted from taxable income. If the prorated share cannot be determined on the basis of participation or other available records, it is determined on the basis of some suitable criterion—the floorspace or the proportion of the building's rented part, for instance.

7. For the purpose of deducting expenses pursuant to Paragraph 4:

a) Livestock production means the breeding, rearing or keeping of cattle, hogs, goats, horses, poultry, other domestic animals, furry and laboratory animals, bees, freshwater fish, silkworms, exotic birds and edible snails, including their raw and processed products;

b) Special crops include grapevines, hops, tobacco, vegetables, fruit, medicinal herbs, spices and aromatic plants, flowers and decorative shrubs, berries, grown mushrooms, silvicultural products, other forestry products, seeds, nursery stock and plant-breeding materials of all kind, including the products of such special crops. For the purpose of the present law, timber production is also a special crop.

### Tax Computation

#### Section 10

##### Exemption Deductions From the Tax Base

1. For the purpose of computing the tax, the following exemptions are deducted from the tax base:

a) Kcs1200 for each month and part thereof during which the taxpayer pursued as his principal occupation (Section 5, Paragraph 6) the activity whose income is taxable, but at least Kcs6000 a year;

b) Kcs6000 a year in the case of taxpayers engaged in farming or business,<sup>9</sup> with the exception of those taxpayers who elected to claim the deduction under Item a);

c) Kcs1000 a year in the case of other taxpayers not specified under Items a) and b);

d) Kcs6000 a year in the case of the taxpayer claiming as a dependent at least one child who is a member of his household;

e) Kcs3000 a year in the case of the taxpayer who is paying court-ordered or -approved maintenance for one child; or Kcs6000 a year in the case of the taxpayer who is paying court-ordered or approved maintenance for two or more children;

f) Kcs6000 a year for the taxpayer who is claiming as a dependent a spouse living in their joint household and whose own income did not exceed Kcs14,400 during the calendar year. The following are disregarded when determining the dependent spouse's own income: The increased pension for the incapacitated, the received children's maintenance, the children's allowances that employees or pensioners receive, the allowance for a supported parent, the allowance for a child in foster care, and the scholarship received while preparing for a future occupation, unless it is in the nature of pay for time not worked;

g) Kcs6000 a year if the taxpayer receives a pension for complete disability, or some other pension whose qualification requirements include complete disability, or if the social security review board has found, in accordance with separate regulations, that the taxpayer is completely disabled;

h) Kcs3000 a year if the taxpayer receives a partial disability pension or some other pension whose qualification requirements include partial disability, or if the social security review board has found, in accordance with separate regulations, that the taxpayer is partially disabled.

2. A dependent child, in the sense of Paragraph 1, Items d) and e), means:

a) The taxpayer's child (own or adopted child, or foster child in the taxpayer's care as foster parent) who is under age;

b) The taxpayer's adult child (own or adopted child, or foster child in the taxpayer's care as foster parent) up to the age of 26, provided he or she is not receiving a pension for complete disability and

1) Is systematically preparing for a future occupation by studying or undergoing the required training, or

2) Is unable to prepare for a future occupation or to find employment, due to illness; or

3) Is prevented by chronic poor health from preparing systematically for a future occupation, or is able to do so only under exceptional conditions, or

4) Is prevented by chronic poor health from working regularly, or such work would seriously worsen his or her state of health;

c) The taxpayer's child over 26 who is systematically preparing for a future occupation by studying or undergoing the required training, and whose own income during the calendar year did not exceed Kcs14,400.



When determining the child's own income, the incomes specified in Paragraph 1, Item f), are disregarded.

3. The deduction specified in Paragraph 1, Item d) cannot be claimed if the child, or any of several children in the taxpayer's household, has already been claimed by the taxpayer as a dependent for another tax, or by another taxpayer on his or her tax return. A child of divorced parents, or of parents who are living apart without being divorced, and a child born out of wedlock may be claimed as a dependent both by the taxpayer in whose household the child is living, and by the taxpayer who is paying court-ordered or -approved maintenance for the child.

4. If the taxpayer meets during only a part of the calendar year the conditions for claiming a dependency or disability exemption, the tax exempt amount is one-twelfth of the exemption deduction for each month during which the conditions were met, and the status at the beginning of a calendar month decides. The month in which a dependent child was born already counts.

5. From the tax base the taxpayer may deduct also the value of any donations to domestic legal entities, for science and education, charity, welfare, health or environmental purposes, or to support the development of culture, physical culture or sports, and also the donations to municipalities. The total deduction for such donations may not exceed 10 percent of the tax base.

## Section 11

### Tax Rate Schedule

From the tax base, after subtracting the exemption deductions specified in Section 10, the tax is computed by using the following tax rate schedule:

If the tax base (Kcs) is:		The tax (Kcs) is:	
Over	But not over		of the amount over
0	60,000	15%	0
60,000	180,000	9,000 + 25%	60,000
180,000	540,000	39,000 + 35%	180,000
540,000	1,080,000	165,000 + 45%	540,000
1,080,000		408,000 + 55%	1,080,00

## Section 12

### Flat Rates of Taxation

1. The tax is 25 percent of income that originates on the territory of the Czech and Slovak Federal Republic and is derived:

a) From securities (dividends, and interest on bonds and notes);

b) From sport competitions, such as winnings, prizes and similar payments;

c) From prizes in public competitions;<sup>17</sup> or

d) By persons living abroad, as royalties from copyright and performances, or as interest, rent and a share of the profit;

2. The tax is 30 percent of income that persons living abroad derive from licensing royalties and similar payments, and from payments for technical assistance and services.

3. The tax pursuant to Paragraphs 1 and 2 is levied on gross income, without deducting expenses or exemptions (Sections 9 and 10).

## Section 13

### Tax Assessed as a Fixed Amount

1. Based on the expected amount of income subject to tax, but with due consideration for the circumstances that are decisive from the viewpoint of computing income tax (Sections 9 and 10), the agency that administers income tax (hereinafter: the administrator of internal revenue) may assess as a fixed amount (Section 19, Paragraph 7) the tax of taxpayers pursuing a gainful occupation without the help of employees, or with one employee at most.

2. For the tax reporting period following the one in which it is established that the assessment no longer corresponds to the amount of income derived from the gainful occupation and subject to tax, or that the circumstances which are decisive from the viewpoint of computing income tax have changed, the administrator of internal revenue may amend the amount of the tax assessed according to Paragraph 1, or may discontinue assessing a fixed amount of tax.

## Section 14

### Tax Relief

1. The tax is reduced by Kcs4,000 for every employee whose capacity for work is diminished, and by Kcs12,000 for every more seriously afflicted employee whose capacity for work is diminished.<sup>18</sup> The reduction is computed on the basis of the equivalent number of [work-capable, full-time] employees<sup>19</sup> corresponding to the number of employees of diminished capacity for work whom the taxpayer employed during the tax

reporting period (equivalent numbers containing fractions are rounded upward, to whole numbers).

2. The administrator of internal revenue may reduce by 50 percent, but not by more than Kcs10,000 a year, the tax of the taxpayer who receives a disability pension (or some other pension whose qualificational requirements include disability) and pursues a gainful occupation without the help of employees, or at most with one employee. In the case of taxpayers who are able to pursue a gainful occupation only under completely exceptional conditions (blind persons, persons with very severe orthopedic disabilities, etc.), the administrator of internal revenue may reduce the tax without any limit or may grant complete tax exemption.

## PART II

### GENERAL PROVISIONS

#### Section 15

##### Reporting the Commencement, Cessation of Tax Liability

1. When the taxpayer begins or ceases to pursue a gainful occupation, or to receive income that is taxable, he must report that fact within 15 days of its occurrence, to the administrator of internal revenue.

2. The reporting obligation does not apply to taxpayers registered with the competent registration agency or to taxpayers who receive one-time and unexpected income that is unlikely to recur.

#### Section 16

##### Tax Reporting Period

The tax reporting period is the calendar year.

#### Section 17

##### The Tax Return

1. Anyone who has annual taxable income exceeding Kcs1000 must file a tax return (hereinafter: return) with the administrator of internal revenue, by 15 February following the close of the tax reporting period, and must attach the necessary information returns. In the cases specified in Section 5, Paragraphs 6 and 7, each spouse files a return. At the taxpayer's reasonable request, the administrator of internal revenue may grant an extension for filing a return, up to the end of March following the close of the tax reporting period.

2. The taxpayer who has no taxable income other than income on which tax is being withheld (Section 21) is not obliged to file a return. But anyone whom the administrator of internal revenue notified to file a return must do so.

3. On the tax return the taxpayer reports all taxable income, except income that is tax exempt (Section 4), income that is taxed at a flat rate (Section 12) and the tax

is withheld, or income on which tax is assessed as a fixed amount (Section 13). Furthermore, the taxpayer lists on the return the deductible expenses and exemptions that are taken into account when computing the tax.

4. If the taxpayer dies, an heir must file a return for the decedent. If there is no known heir, an agent appointed by the administrator of internal revenue files the return. It must be filed within three months following the taxpayer's death or following the agent's appointment. If requested to do so for reasons that warrant an extension, the administrator of internal revenue may extend this time limit for filing.

5. If the taxpayer (or his heir or appointed agent) discovers after the expiration of the time limit for filing that the filed return was incomplete or incorrect, then he must file an amended return by the end of the month following the one in which the discovery was made. The taxpayer (or his heir or appointed agent) has the same obligation when he establishes that the tax should have been higher than what was assessed. When it is the administrator of internal revenue who discovers that the filed return was incomplete or incorrect, an amended return is not filed.

6. If the taxpayer receives income from abroad, he can claim a foreign tax credit for the tax paid abroad, but the foreign tax credit may not exceed the amount of tax due on that portion of the taxpayer's income according to Czechoslovak tax regulations. If the taxpayer receives income from a country with which the Czech and Slovak Federal Republic has a tax treaty to avoid double taxation, the provisions of the treaty determine the procedure for avoiding double taxation. But the foreign tax credit for the tax paid in another signatory country may not exceed the amount of tax the treaty entitles that country to levy.

7. For late filing, the administrator of internal revenue may increase the tax by 10 percent.

8. If in the tax proceedings it is established that on his tax return the taxpayer reported incorrect or incomplete information about his income and other circumstances which are decisive from the viewpoint of determining the amount of tax due, the administrator of internal revenue may assess the tax on the basis of the information he himself obtained.

#### Section 18

##### Rounding

The tax base is rounded downward to whole hundreds, and the tax is rounded upward to whole korunas. Withholding and estimated tax payments are rounded downward to whole tens, and penalties are rounded upward to whole korunas.

## Section 19

### Tax Assessment

1. The administrator of internal revenue assesses the tax for the tax reporting period usually after its close. The circumstances that are decisive from the viewpoint of assessing the tax are considered separately for each tax reporting period, unless statute specifies otherwise.
2. If the taxpayer dies, the tax on his taxable income is assessed upon his heirs.
3. When a husband and wife pursue a gainful occupation jointly, as specified in Section 5, Paragraphs 6 and 7, the tax of each spouse is assessed separately.
4. The administrator of internal revenue sends the taxpayer, the taxpayer's heir or appointed agent (Section 17, Paragraph 4) a notice of assessment.
5. Taxpayers whose sole source of income is farming may be notified of their tax assessments collectively, by means of the tax roll. The administrator of internal revenue presents the tax roll for public inspection over a period of 30 days. The last day of that period is regarded as the day the notices of assessment was served. By public notice, or in some other manner that is customary in the locality, the administrator announces the commencement of the 30-day period, and the place where and the time when the tax roll can be inspected.
6. If the taxpayer's assessment is changed, the administrator of internal revenue sends the taxpayer a notice of additional assessment.
7. The administrator of internal revenue assesses the tax as a fixed amount (Section 13) by 30 April of the tax reporting period, after a conference with the taxpayer. The administrator of internal revenue may assess the tax as a fixed amount also for several tax reporting periods.
8. If the tax would be less than Kcs100, it is not assessed.

### Payment of the Tax

#### Section 20

1. The taxpayer is obliged to compute his tax himself and to pay it to the administrator of inland revenue after the close of the tax reporting period, within the time limit specified for filing the tax return.
2. Taxpayers make quarterly estimated tax payments for the current tax reporting period, each payment equaling one-fourth of the tax liability for the preceding tax reporting period. The estimated tax payments for the first three quarters are due by the end of the month following the close of a calendar quarter. No estimated tax is paid for the fourth quarter; instead, the taxpayer pays the balance of his annual tax liability [for the current tax reporting period] within the time limit specified for filing his tax return. Taxpayers whose income from farming during the preceding tax reporting period

exceeded their income from all other sources pay estimated tax as follows: by 30 April, 10 percent of their tax liability for the preceding tax reporting period; by 31 August, 30 percent; and by 30 November, 40 percent. The remaining 20 percent is not paid; instead, these taxpayers pay the balance of their annual tax liability within the time limit specified for filing their tax returns.

3. Taxpayers whose tax liability for the preceding tax reporting period was less than Kcs2000 do not pay estimated tax. Taxpayers whose tax liability for the preceding tax reporting period was less than Kcs6000 are not required to pay estimated tax.

4. The tax liability for the preceding tax reporting period means the amount of tax the taxpayer computed; after serving the notice of assessment, it means the amount of tax assessed.

5. If the tax in the notice of assessment is more than what the taxpayer reported, or if there is a notice of additional assessment, the taxpayer must pay in the difference within 15 days from the serving of the notice.

6. If the taxpayer's liability covered only a part of the preceding tax reporting period, he calculates how much his tax liability would have been for the whole year and then makes his quarterly estimated tax payments accordingly for the current tax reporting period.

7. The administrator of internal revenue may set the estimated tax payments of new taxpayers, with due consideration for their expected incomes and other circumstances that are decisive from the viewpoint of tax assessment.

8. At the taxpayer's reasonable request, the administrator of internal revenue may set the estimated tax payments differently.

9. If the taxpayer discontinues his gainful occupation or stops receiving taxable income, in a way such that his tax liability ceases entirely, he is not required to make quarterly estimated tax payments, beginning with the quarter following the one in which his tax liability ceased entirely.

10. As security for the tax liability of taxpayers whose place of business or residence is in a foreign country, the administrator of internal revenue may require them to deposit a commensurate amount when they begin their gainful occupation, if payment of the tax is not ensured through withholding.

11. Tax assessed as a fixed amount is payable in the tax reporting period in two installments: 50 percent by 31 May, and 50 percent by 31 October. In the case of taxpayers who derive their income from farming, the tax is due in one sum, by 31 October.

## Section 21

## Tax Withholding

1. The tax on income specified in Section 12 is collected by withholding. The legal entity or person whose place of business or residence is on the territory of the Czech and Slovak Federal Republic (hereinafter: the debtor) and who pays, remits or credits payments to the taxpayer (creditor) is obliged to withhold the tax.
2. The debtor is obliged to remit the withheld tax to the administrator of internal revenue within 15 days from paying the taxpayer (creditor) or crediting the owed amount to the latter's account. The debtor must report the remittance to the administrator of internal revenue, stating the amount he paid the taxpayer (creditor) or credited to the latter's account, and also the legal basis of the obligation.
3. If the debtor fails to withhold the tax or is late remitting it, the tax will be exacted from him as his liability. If the debtor undertakes to pay the tax for the taxpayer in cases when that is warranted, the debtor pays 33.3 percent tax on income specified in Section 12, Paragraph 1, and 42.8 percent tax on income specified in Section 12, Paragraph 2.
4. So far as income subject to withholding is concerned, the taxpayer's liability is regarded as met when the tax on the income is withheld.

## Section 22

## Securing Payment of the Tax

1. To secure payment of the tax, the administrator of internal revenue may order legal entities and persons to withhold up to 10 percent of their payments to the taxpayers specified in Section 1, Paragraph 2, and to remit the withheld tax within 15 days from the day they paid a taxpayer (creditor) or credited the amount owed to his account.
2. To secure payment of the tax on taxable income other than income subject to withholding (Section 21), legal entities and persons registered with the competent registration agency are required to withhold 5 percent from the taxpayers specified in Section 1, Paragraph 4, under the same conditions as in Section 21.
3. If securing payment of the tax so requires, the administrator of internal revenue may increase to as much as 10 percent the rate of withholding specified in Paragraph 2. He may also lower the rate of withholding or waive withholding entirely. There is no appeal from the decision to raise the rate of withholding. The administrator of internal revenue may regard the withheld tax as paid.
4. When the taxpayer dies, his tax liability passes to his heir, within the limits of the latter's share of the estate.

## Section 23

## Fines

1. The fine for late payment or underpayment of the tax (or of the estimated or withheld tax) is 2 percent of the net amount owed, for each whole and partial month of delay. In the cases specified in Paragraphs 2 and 3, the fine pursuant to this paragraph applies if the assessed tax was not paid within the specified time limit (Section 20, Paragraph 5).
2. When the administrator finds a tax deficiency in the taxpayer's return, he imposes a fine, the amount of which may range:
  - a) From 50 to 100 percent of the underpayment in the case of tax on income, or a portion of income, that the taxpayer failed to report on his tax return;
  - b) From 20 to 50 percent of the underpayment arising as a result of deducting from the tax base higher expenses than were allowed or claiming exemptions that were disallowed;
  - c) From 10 to 20 percent of the underpayment in other instances.
3. When imposing a fine within the limits specified in Paragraph 2, the administrator of internal revenue takes into consideration the circumstances under which the delay or underpayment occurred, how long it lasted, and the costs involved in uncovering the delay or underpayment.
4. If the taxpayer files an amended return in which he corrects the amount of tax or income he reported, or the expenses and exemptions he claimed, before the commencement of a tax audit by the administrator of internal revenue, then the imposed fine is 5 percent of the underpayment. A fine of this amount is imposed also when the taxpayer files an amended return, after the completion of the tax audit and the possible assessment of additional taxes and of a fine, and reports a tax deficiency that he himself discovered.
5. For failure to remit the withheld tax (Sections 21 and 22) within the specified time limit, the debtor is fined 0.1 percent for each day of delay.
6. The taxpayer and the debtor, respectively, are informed of the imposed fine in a notice of assessment. The fine is payable within 15 days from the serving of the notice of assessment. The taxpayer and the debtor, respectively, may appeal the imposed fine within 15 days from the serving of the notice of assessment. The appeal does not have a dilatory effect.
7. No fine is imposed if its amount would be less than Kcs100.
8. The administrator of internal revenue may forgive or reduce the imposed fine, or may waive its imposition, if the delay did not exceed 10 days or if the fine is not more than Kcs1000 a year.



## Section 24

### Record-Keeping Obligation

1. The administrator of internal revenue may order the taxpayer to keep, over and above the records that separate regulations prescribe, also records needed to correctly assess the tax, particularly a journal of income and expenditure, a motor vehicle logbook, and a record of fixed assets.

2. Unless separate regulations prescribe a longer period, the taxpayer must retain for five years, from the close of the given tax reporting period, all business papers and books pertaining to his record-keeping obligation.

## Section 25

### Rules of Procedure

Unless statute specifies otherwise, separate rules of procedure<sup>20</sup> apply to [administrative] proceedings in tax cases.

## Section 26

### Statutes of Limitation

1. The tax, additional tax or a fine cannot be assessed or collected after three years from the close of the tax reporting period in which the taxpayer was required to file a tax return or to pay tax assessed as a fixed amount, or in which tax should have been withheld or estimated tax payments should have been made.

2. If any action is taken during this period to assess or collect the tax or a penalty, the three-year statute starts anew from the end of the year in which the taxpayer or the debtor was informed of the action. However, no tax, additional tax or penalty can be assessed or collected after 10 years from the close of the tax reporting period in which the taxpayer was required to file a tax return or to pay tax assessed as a fixed amount, or in which tax should have been withheld and remitted or estimated tax payments should have been made.

## Section 27

### Authorizing Provisions

1. The government of the Czech Republic and the government of the Slovak Republic are hereby authorized to issue decrees exempting certain kinds of income from the tax, offering tax relief to taxpayers who have income from business or farming, or providing regional tax relief.

2. In relation to foreign countries, the Federal Ministry of Finance is authorized to adopt measures to ensure reciprocity and to simplify collection of the tax.

3. The Czech Republic's Ministry of Finance and the Slovak Republic's Ministry of Finance:

a) Will decide how to assess the tax in cases of dispute; and

b) Are authorized to adopt measures to prevent inflexibility and inequality or to provide tax relief.

4. In the case of taxpayers specified in Section 1, Paragraphs 3 and 4, the administrator of internal revenue is authorized to set different time limits for fulfilling their reporting obligation (Section 15) and for filing their tax returns (Section 16); to assess their tax as a fixed amount when determination of the tax base would involve disproportionate difficulties; and to set different time limits for the debtors to collect the tax by withholding (Section 21) and to remit the withheld tax.

## PART III

### TRANSITORY AND FINAL PROVISIONS

## Section 28

1. The exemption from individual income tax of income derived from small hydroelectric power plants<sup>21</sup> built before the present law becomes effective will remain in force until the expiration of the period for which the tax exemption was granted.

2. Other tax exemptions, tax relief and exceptions allowed under Section 26, Paragraph 2, of Law No. 145/1961 Sb. on Individual Income Tax, and under Section 34, Paragraph 6, and Section 40, Paragraph 2, Item d), of Law No. 172/1988 Sb. on Agricultural Tax will be rescinded the day the present law becomes effective.

3. Income from buildings that are subject to house tax based on their rent or rental value is exempt from individual income tax as long as the tax rate schedule in Section 12, Paragraph 2, of Law No. 143/1961 Sb. on House Tax remains in force.

4. The taxpayer may claim accelerated depreciation of his fixed assets, at rates different from the ones specified in Section 9, Paragraph 1, Item a), as follows:

a) In the case of a building or structure: up to 20 percent in the year of construction or the first year that depreciation is being claimed; up to 15 percent the second year; and up to 10 percent the third year;

b) In the case of other fixed assets: up to 40 percent in the year of their acquisition or the first year that depreciation is being claimed; up to 30 percent the second year; and up to 20 percent the third year.

5. A business<sup>9</sup> loss, or a loss from other gainful employment,<sup>10</sup> reported on the basis of orderly book-keeping, may be deducted from the tax base in equal proportions during the next three years after the year in which the loss was incurred.

6. Income from small hydroelectric or wind driven power plants, solar and geothermal sources of energy, and installations for generating gas from stable manure is tax exempt for a period of five years; the exemption may

be claimed the first time for income earned the year when the sources were commissioned.

7. Taxpayers who have income from the gainful occupations specified in Section 6 and in Section 7, Paragraph 1, and for whom the given gainful occupation is their principal occupation (Section 5, Paragraph 6), as well as taxpayers who receive old-age or disability pensions, may have their taxes deferred as follows: 60 percent of the tax the year the taxpayers' tax liability pursuant to the present law began; 40 percent the second year; and 20 percent the third year. The deferred tax is remitted if the taxpayer continues his gainful occupation for at least two more years following the one in which his tax was deferred, and has invested at least the equivalent of the deferred tax in developing his business.

### Section 29

1. Income from processing scrap, collecting and disposing of hazardous wastes, cleaning gases or treating waste water is taxed separately from the taxpayer's other income.

2. If the taxpayer has income also from gainful occupations other than the ones listed in Paragraph 1, exemption deductions (Section 10) may be claimed only from one kind of income.

3. The tax on income specified in Paragraph 1 is 15 percent, regardless of how much the tax base is.

### Section 30

The provisions of the present law do not apply if they are in conflict with an international treaty to which the Czech and Slovak Federal Republic is a signatory.

### Section 31

1. Tax pursuant to the present law will be assessed for the first time on 1990 income. If on his tax return for 1990 the taxpayer requests that his tax be assessed in accordance with Law No. 145/1961 Sb. on Individual Income Tax, as modified and amended by subsequent regulations, and with regulations issued under authority granted by the aforementioned law, then his tax assessment will be based on those regulations.

2. The withholdings withheld and the estimated tax payments made in 1990 on the basis of existing regulations are regarded as withholdings and payments in accordance with the present law.

3. Tax assessed as a fixed amount for 1990 on the basis of existing regulations is regarded as tax assessed in accordance with the present law.

### Section 32

#### Rescinding Provisions

The following are hereby rescinded:

a) Law No. 145/1961 Sb. on Individual Income Tax, as modified and amended by Law No. 162/1982 Sb.;

b) Section 1, Item d), of Law No. 172/1988 Sb. on Agricultural Tax, Part 4 of the aforesaid law, and the provisions in its Parts 5 and 7 pertaining to the tax on individual incomes from farming;

c) Government Ordinance No. 102/1952 Sb. on Exempting Interest on Savings Deposits From Individual Income Tax;

d) Decree of the Federal Ministry of Finance No. 146/1961 Sb. Implementing Law No. 145/1961 Sb., as modified and amended by decrees Nos. 152/1980, 14/1982 and 215/1988 Sb.;

e) Legal Measure of the CSR Ministry of Finance No. 153/21,720/77 of 15 November 1977, exempting from individual income tax the interest on the foreign currency deposits of exchange nationals with banks authorized to hold such deposits; the legal measure was announced [as opposed to published in full] in the No. 28/1977 issue of SBIRKA ZAKONU;

f) Edict of the SSR Ministry of Finance No. 83/1,637/77 of 28 October 1977, exempting from individual income tax the interest on the foreign currency deposits of exchange nationals with banks authorized to hold such deposits; the edict was announced in the No. 1/1978 issue of SBIRKA ZAKONU;

g) Edict of the Federal Ministry of Finance No. VI/1-2312/79 of 8 March 1979, on taxing foreign residents who undertake construction and installation work; the edict was announced in the No. 8/1979 issue of SBIRKA ZAKONU;

h) Legal Measure of the CSR Ministry of Finance No. 153/7,409/82 of 27 May 1982, exempting from taxation income from small hydroelectric power plants for 10 years after their commissioning; the legal measure was announced in the No. 20/1982 issue of SBIRKA ZAKONU;

ch) Edict of the CSR Ministry of Finance No. 153/22,841/87 of 23 December 1987, exempting income from individual income tax; the edict was announced in the No. 26/1987 issue of SBIRKA ZAKONU;

i) Edict of the Federal Ministry of Finance No. II/4-19,558/88 of 15 December 1988, on income tax relief for individuals who provide services on the basis of licenses issued by the national committee; the edict was announced in the No. 47/1988 issue of SBIRKA ZAKONU;

j) Edict of the Federal Ministry of Finance No. II/4-11,970/89 of 13 July 1989, on income tax relief for certain individual taxpayers; the edict was announced in the No. 20/1989 issue of SBIRKA ZAKONU;

k) Edict of the Federal Ministry of Finance No. II/4-22,066/89 of 28 December 1989, on income tax

relief for certain individual taxpayers; the edict was announced in the No. 36/1989 issue of SBIRKA ZAKONU;

l) Joint Edict of the Federal Ministry of Finance, the CSR Ministry of Finance, Prices and Wages and the SSR Ministry of Finance Prices and Wages No. II/4-18,039/89 of 18 December 1989, defining the authority of the national committees' financial administrations to provide relief from agricultural tax and penalties, insofar as tax on the income of individuals from farming is concerned; the joint edict was announced in the No. 36/1989 issue of SBIRKA ZAKONU; and

m) Edict of the Federal Ministry of Finance No. II/4-22,067/89 of 29 December 1989, on the tax treatment of the travel allowances of experts who appraise buildings, land, perennial stands, and compensation for granting a right of use; the edict was announced in the No. 40/1989 issue of SBIRKA ZAKONU.

### Section 33

#### Effective Date

The present law becomes effective as of 1 January 1991.

### SUPPLEMENT

#### Average Net Income Per Hectare of Agricultural Land

Agroeconomic Classification*		Net Income
Grades	Classes	Kcs per hectare
I.	1-10	6,000
II.	11-20	5,000
III.	21-30	4,000
IV.	31-42	3,000

\*The agroeconomic classification reflects the net income potential of a specific tract or plot of land. It is based on grading the quality of agricultural land in the CSFR. The relationship between gross income and production cost is derived from the quality parameters for each specific tract or plot. The classes, based on factors that enhance or reduce income, are corrections to the basic soil quality grades.

### FOOTNOTES

1. Section 13 of Law No. 105/1990 Sb. on Private Enterprise.

2. Law of the Czech National Council No. 202/1990 Sb. on Lotteries and Similar Games; and Law of the Slovak National Council No. 194/1990 Sb. on Lotteries and Similar Games.

3. Section 2 of the Joint Decree of the Federal Ministry of Finance and of the Czechoslovak State Bank No. 162/1980 Sb. on Financing the Replacement of Fixed Assets, as modified and amended by subsequent regulations.

4. Section 8 of Law No 73/1990 Sb. on Civilian Service.

5. Section 25 of Law No. 105/1990 Sb. 18. Section 113, Paragraphs 3 and 4, of Decree No. 149/1988 Sb., as modified and amended by Decree No. 123/1990 Sb.

6. Paragraph 65, Decree of the Federal Ministry of Labor and Social Affairs No. 149/1988 which refers to the Law on Social Security as published in Decree No. 123/1990.

7. Paragraph 6 of Law No. 105/1990.

8 Addendum to Decree No. 23/1964 which regulates Law No. 22/1964 on registration of fixed assets.

9. Law No. 105/1990.

10. For instance, CNC Law No. 128/1990 on the practice of law; SNC Law No. 132/1990 on the practice of law; CNC Law No. 209/1990 on corporate lawyers and on judicial aid available from them.

11. Paragraph 10, Law No. 143/1961 on home ownership as published in subsequent guidelines.

12. Decree of Federal Ministry of Finance, No. 94/1980 on depreciation of fixed assets.

13. Law No. 29/1984 on the system of elementary and secondary schools (education law) as published in Law No. 171/1990/

14. Decree of Federal Ministry of Labor and Social Affairs No. 33/1984 on travel expenses as published in Decrees No. 81/1988, No. 241/1988, and No. 251/1990.

15. Decree of Federal Ministry of Labor and Social Affairs as published in subsequent guidelines.

16. Decree of Federal Ministry of Finance No. 211/1989 on financing certain facilities of social consumption and certain activities.

17. Paragraph 412 and ff. of the Civil Code.

19. Federal Statistical Office directive for the reporting units in state statistical surveys of labor and wages, "Section 21. Labor in General," issued pursuant to Section 19, Paragraph 1, of Law No. 21/1971 Sb. on the Uniform System of Social and Economic Information.

20. Decree of the Federal Ministry of Finance No. 16/1962 Sb. on Administrative Proceedings in Tax and Customs Cases.

21. Legal Measure of the CSR Ministry of Finance No. 153/7409/82 of 27 May 1982, Granting Tax Exemption for Income From the Operation of Small Hydroelectric Power Plants, for a Period of 10 Years After Their Commissioning; the legal measure was announced in the No. 20/1982 issue of SBIRKA ZAKONU.

**New Federal Price Law**

91CH0203A Prague LAW GAZETTE in Czech  
14 Dec 90 pp 1-15

[Text] The Federal Assembly of the Czech and Slovak Federal Republic has passed the following bill:

**PART I****GENERAL****Section 1****Object of Regulation**

1. This act applies to the enforcement, regulation and inspection of the prices of products, intermediates, works and services (hereinafter referred to as "goods") for the domestic market, including prices of imported goods and prices of goods to be exported.
2. Price is defined to be the sum of money negotiated at the purchase and sale of goods or created for rating for other purposes.
3. Procedure pursuant to this act shall also apply to any transfer of rights and to any transfer and passing of ownership of real estate, including the right of use of such real estate.
4. This act shall not apply to rewards, defrayments, fees, indemnities, reimbursements, interests and international transport and communications tariffs regulated by special provisions.
5. The act defines the rights and duties of legal and natural persons, federal central bodies of state administration and the respective authorities of the republics in the enforcement, regulation and inspection of prices.
6. In cases where the market is endangered by the effects of restriction of economic competition or that regulation is required by an extraordinary situation on the market, the central federal administrative bodies or the respective authorities of the republics may regulate the formation of prices pursuant to this act (price regulation).
7. The central administration bodies entitled to regulate prices pursuant to this act (hereinafter the "pricing bodies") are defined by special regulations.
8. Special regulations indicate which further authorities (hereinafter "local authorities") are entitled to regulate prices in the manner specified by this act.

**Section 2**

1. A price may be negotiated for goods defined by title, by unit quantity and by quality and delivery or other specifications agreed on between the parties to the negotiation, and/or by the numeral code of the respective unified classification, insofar as this is stipulated by special regulations (hereinafter "specified conditions"). Pursuant to such special regulations the price may include either all, or part of, the costs of acquisition,

processing and circulation of the goods, the profit, and the adequate tax and customs duty.

2. Agreement on price is defined as agreement on the level of the price and on the method by which the price is to be determined, providing that the price is sufficiently defined by such a method. Agreement on price may also be deemed to form if the buyer pays the price required by the seller just before or after taking over the goods.

3. The seller shall not misuse his economic position to draw unduly high economic benefit from selling goods for an agreed price which would include unjustified costs or unduly high profit. The buyer shall not misuse his economic position to draw unduly high economic benefit from buying goods for an agreed price much lower than the justified costs.

**PART II****REGULATION OF PRICES****Section 3**

1. Regulation of prices is defined as the determination or direct control of price levels by the pricing bodies and local authorities.
2. Decisions of the pricing bodies and local authorities pursuant to this act shall be obligatory to the addresses given in such decisions.

**Section 4****Methods of Regulation of Prices**

1. Pursuant to this act, the methods of regulation of prices shall include the following:
  - a) Determination of prices (hereinafter "officially determined prices");
  - b) Control of the development of prices in dependence on material conditions (hereinafter "actual control of prices");
  - c) Control of the time of price changes (hereinafter "time-controlled prices");
  - d) Moratorium on price changes.
2. The above methods of regulation may be combined when such combination is deemed useful.

**Section 5****Officially Determined Prices**

1. Officially determined prices are prices of an indicated kind of goods determined by the pricing bodies as the maximum, fixed or minimum prices of such goods or determined by the local authorities as the maximum prices of such goods.
2. The maximum price is a price that may not be exceeded.

3. The fixed price is a price that may not be changed.
4. The minimum price is a price that may not be reduced.
5. The maximum, fixed and minimum prices shall be valid for all sellers and buyers of given kinds of goods. The pricing bodies or local authorities may limit the applicability of such maximum, fixed and minimum prices by means of further actual and/or time conditions. The pricing bodies may determine both a maximum and minimum price of the same goods at the same time.

#### Section 6

##### Actual Control of Prices

1. The actual control of prices means the determination, by the pricing organs, of conditions for the negotiation of prices. These conditions may include the following:
  - a) Maximum extent of possible increase of the price of some goods within a specified period of time, or
  - b) Maximum proportion within which it is possible to include in the price the increases in the prices of specified inputs within a specified period of time, or
  - c) Obligatory procedure to determine calculation of price.
2. This manner of regulation of prices shall hold for all sellers and buyers of the indicated goods.

#### Section 7

1. If prices that are at variance with prices officially determined pursuant to Section 5 or with the actual control of prices exercised pursuant to Section 3 while contracts on price are already in existence, hold for such contracts, the parties to such contracts shall negotiate prices that are consistent with the officially determined prices or with the newly exercised actual control of prices so that the newly negotiated prices may come into force within three months at the latest from the entry into force of the decision on the officially determined prices or on the actual control of prices.
2. If parties to a price contract fail to agree on prices that would be consistent with the new officially determined prices or with the exercised manner of actual control of prices, the said parties may renounce such a price contract within the term indicated in Paragraph 1. In such cases, the renouncing party shall compensate for the costs that may be incurred to the other party by such renouncement. Procedure pursuant to special regulations shall apply when a price contract is renounced by a natural person as the buyer.

#### Section 8

##### Time-Controlled Prices

1. The time-controlled prices are defined as the prices of goods for which, in cases of negotiating a price rise, the pricing body may determine
  - a) The minimum period of time, ahead of the intended rise in price, within which the said rise in price shall be announced, or
  - b) The minimum period of time that shall have elapsed before the intended rise in price may be effected, or
  - c) The ban, limited in time, on further rise in price.
2. This manner of regulation may be applied if the seller has a monopoly or dominant position (monopoly position is the position of a seller exposed to no competition at all; dominant position is the position of a seller facing competition which is immaterial) on the market for a given kind of goods in at least one of the two republics, and if the pricing body issues a special decision applying to the given kind of goods and specifying the extent of possible increase in price beyond which any increase shall be reported.
3. The seller mentioned in Paragraph 2 shall report to the pricing body, at least one month prior to the date of the intended increase in price, any increase in price beyond the set range. The seller shall likewise report to the pricing body any consecutive increases in price which, taken together, would exceed the set range.
4. The pricing body may delay the validity of the increase in price reported pursuant to Paragraph 3 for two months at most. The seller shall be notified of this decision not later than one week prior to the date of the intended increase in price. If the pricing body fails to do so within this term the seller may negotiate the increase in price to be effected when originally intended and as originally reported.
5. The seller referred to in Paragraph 2 shall notify the buyer of any intended single increase in price exceeding the range set by the special decision of the pricing bodies. This shall be done two months at the latest prior to the intended date of the increase in price.
6. Six months at the minimum must elapse before any further increase in price following the increase effected in accordance with Paragraph 4, insofar as this six-month term is not shortened by the pricing body.

#### Section 9

##### Price Moratorium

1. A price moratorium is defined as a ban, limited in time, on any increase in price above the level currently valid on the given goods' market.



2. The price moratorium may be imposed by the decision of the Government of the Czech and Slovak Federal Republic in agreement with the Governments of the Czech Republic and Slovak Republic and shall be notified by the Government of the Czech and Slovak Federal Republic to their respective parliaments.

3. A price moratorium may be imposed for a period not longer than six months.

#### Section 10

##### List of Goods With Regulated Prices

1. The goods on which price regulation is imposed pursuant to Sections 5 and 6 shall be included by the decision of the pricing bodies in the list of goods with regulated prices (hereinafter the "list"). The list and the prices determined within the list, and the goods upon which price regulation is imposed in compliance with Section 8 will be published by the pricing bodies in the Price Bulletin.

### PART III

#### PRICE RECORDS AND PRICE INFORMATION

##### Section 11

###### Price Records

1. Sellers shall file records on prices for which they sell goods insofar as the following prices are concerned as follows:

- a) Officially determined prices;
- b) Prices liable to actual control;
- c) Time-controlled prices;
- d) Prices of consumer goods sold to the final consumer.

2. Sellers shall maintain the files of price records pursuant to Paragraph 1 and the price calculations pursuant to Paragraphs 1 B and C for three years subsequent to the expiration of the validity of the price of the goods.

##### Section 12

###### Price Information

1. Sellers, buyers, federal central authorities of state administration and respective authorities of the republics shall furnish free of charge any information and data the pricing bodies and local authorities may require for purposes of assessing the development of prices, regulation of prices, price inspection and for procedures in issuing a breach of regulations and decisions concerning prices (hereinafter "price regulations").

2. The provisions of Paragraph 1 shall not exclude any further duty to furnish price information pursuant to special regulations.

3. Persons who receive and use the information indicated in Paragraph 1 shall withhold from any third person any fact that they may learn and that may be detrimental to the justified interests of the persons involved. Those failing to comply with this provision shall be prosecuted.

#### Section 13

##### Indication of the Prices of Goods

1. As to the sale of goods to buyers other than the final consumers, the seller shall, if so requested by the buyer, present to the buyer the price list containing the prices of the offered goods in relation to the specified conditions.

2. As to the sale of goods to the final consumers, the seller shall provide the goods along with an indication of the price the goods carry at the moment of offer, the price being related to the unit amount in which the goods are sold and to the specified conditions, or shall make accessible, at a visible place, information on that price in the form of a price list, notice or in another adequate form.

3. The producer of goods designed for the final consumer may indicate the recommended price for selling such goods to the final consumer. Such a recommended price, given, for example, in the price list of the goods offered, in a catalogue, in publicity materials or on the label of the goods, shall always be denoted as "nonbinding recommended consumer price."

### PART IV

#### PRICE INSPECTION

##### Section 14

1. Price inspection rests in:

a) Determination whether a breach of the provisions of this act or the price regulations is, or is not, committed by a seller or buyer;

b) Verification of the correctness of the data and materials furnished for the purpose of assessment of price development, regulation of prices and for procedures in issuance of breach of price regulations.

2. In compliance with this act, the pricing bodies and local authorities (hereinafter "price inspection authorities") are entitled to carry out the inspection of prices. If not otherwise provided by special regulations, persons working for the price inspection authorities shall be entitled to:

a) Enter all places and premises of the subjects being inspected;

b) Examine the accounts and other data and materials;

c) Require that the subjects being inspected provide conditions as may be needed for adequate performance of price inspection.

## Section 15

### Breach of Price Regulations

1. The seller shall be deemed as having committed a breach of price regulations if the seller:

a) Sells for a price higher than the maximum price or fixed price officially determined pursuant to Section 6, provided that the goods are not being sold within the term indicated under Section 7, Paragraph 1;

b) Fails to respect the condition to which the pricing bodies or local authorities limited the application of the officially determined price in the case of selling for a price officially determined pursuant to Section 5;

c) Fails to respect the maximum extent of possible increase in price, or the maximum proportion within which it is possible to include the changes in the prices of specified inputs, or the obligatory procedure of determining or calculating the price pursuant to Section 6, provided that the goods are not being sold within the term indicated under Section 7, Paragraph 1;

d) Sells for increased prices without respect to the conditions and terms stipulated under Section 8;

e) Fails to respect the price moratorium pursuant to Section 9;

f) Fails to comply with the filing and information duties or duties regarding indication of the prices of goods pursuant to Sections 11, 12 and 13, or gives the pricing bodies untrue data.

2. The buyer shall be deemed as having committed a breach of the price regulations if the buyer:

a) Buys for a price lower than the minimum price, or price officially determined pursuant to Section 5, provided that the goods are not bought within the term indicated under Section 7, Paragraph 1;

b) Buys for a price higher than corresponding to the regulation of prices, insofar as money for such purchase is drawn from the state budget, providing that the goods are not bought within the term indicated under Section 7, Paragraph 1.

3. The seller or buyer shall also be deemed to have committed a breach of the price regulations if they misuse their economic position in negotiating the price pursuant to Section 2, Paragraph 3.

## Section 16

### Proceedings and Sanctions in Cases of Breach of Price Regulations

1. In cases of breach of price regulations given under Section 15, the price inspection authorities shall commence proceedings upon the basis of the said authorities' findings or upon the basis of information given to them.

2. In considering whether the economic position has or has not misused in negotiating the price pursuant to Section 2, Paragraph 3, the price inspection authorities may take into account the development of prices on comparable markets, the need to reach an adequate profit, the original price and the development of costs and other market conditions worth considering.

## Section 17

1. If the price inspection authorities find out that a breach of price regulations referred to under Section 15 has been committed, the said authorities shall impose a penalty on the seller or buyer, the penalty reaching:

a) The level of the unjustified profit for the period within which such profit has been acquired but not for a period longer than three years prior to the day on which the breach was discovered,

b) Up to 1,000,000 crowns if it is impossible to express the unjustified profit numerically or if no unjustified profit has arisen.

2. In determining the level of the penalty pursuant to Paragraph 1 Section B, the price inspection authorities shall take into account in particular the time for which the illegal practice lasted, the extent of the guilt and extent of the damage caused to the buyer or seller.

3. The penalty shall be due for payment within 15 days subsequent to the day on which the decision on its imposition came in force. The sum paid as the penalty becomes part of the balance in an account governed by special regulations.

4. The penalty may be imposed within one year from the day on which the price inspection authorities learned of the breach of price regulations and not later than three years from the day on which such breach of price regulations was committed.

5. If not otherwise stipulated by this act, the price inspection authorities shall follow the administrative proceedings act in regard to the breach of price regulations.

6. If a party to the proceedings does not agree with the decision of the authority that imposed the penalty, such a party, having exhausted all regular legal remedies, may submit to the appropriate court of law an application to revise the said decision. Such an application to the court has a suspensory effect.

## Section 18

The imposition of the penalty does not affect the right of the person to whose detriment the unjustified profit was gained to claim the said profit back, nor does it affect the seller's or buyer's responsibility in compliance with any special regulations. If it is impossible to return the unjustified profit to the person to whose detriment it was acquired, such unjustified profit shall be transferred to an account governed by special regulations.

## PART V

## TEMPORARY AND CONCLUDING PROVISIONS

## Section 19

1. Prices to which this act apply shall hold for contracts concluded on and after the day of the entry into force of this act, save where a case referred to under Paragraph 2 is in question.

2. In cases where, pursuant to a concluded contract, a payment was due by December 31, 1990, but was in reality effected later than that date, and this by the seller's fault, prices valid until December 31, 1990 shall apply.

3. If the parties fail to reach agreement, by the application of prices pursuant to this law, on payments on the basis of contracts that were concluded on or before December 31, 1990, and that lay down a delivery term from January 1, 1991, any of the parties may renounce such a contract. However, the seller may only renounce the contract on condition that the necessary increase in the costs of the goods has been duly documented but the buyer refused to agree with the increase in price. In such cases, the denouncing party shall reimburse the other party for the costs thus incurred. If a contract is denounced by a natural person such as the buyer, the procedure shall follow special regulations.

4. The terms within which increases in prices are to be announced pursuant to Section 8 shall be deemed as starting on the day of entry into force of this act.

5. In cases of breach of price regulations committed before the entry into force of this act, the proceedings including the imposition of price deliveries and the increase thereof shall follow the currently valid regulations.

## Section 20

1. The Federal Ministry of Finance, Ministry of Finance of the Czech Republic and Ministry of Finance of the Slovak Republic shall issue:

a) Jointly the generally binding legal regulations in regard to the methods of negotiating prices, of defining an unjustified profit (unjustified economic benefit and property benefit), of the procedure to follow in regulation of prices, of price recording (filing), of providing price information, and of price inspection;

b) Decisions pursuant to this act; these shall be published in the Price Bulletin.

2. For the area of special technology the Federal Ministry of Finance shall issue generally binding legal regulations for the regulation of prices, for price recording (filing), for providing price information and for price inspection.

## Section 21

## Annulment Provisions

The following are hereby annulled:

1. Order of the Government of the Czechoslovak Socialist Republic No. 112/1985 on the State Control of Prices.

2. Decree of the Federal Price Bureau, Ministry of Finance, Prices and Wages of the Czech Socialist Republic and the Ministry of Finance, Prices and Wages of the Slovak Socialist Republic No. 22/1990 on the Formation and Inspection of Prices.

3. Decree of the Federal Price Bureau, Ministry of Finance, Prices and Wages of the Czech Socialist Republic and the Ministry of Finance, Prices and Wages of the Slovak Socialist Republic No. 35/1990 on Contract Prices, as amended by Decree Nos. 170/1990 and 276/1990.

## Section 22

This act shall enter into force on January 1, 1991.

## Slovak Council Supplement to Law on Private Enterprise

91CH0144E Prague SBIRKA ZAKONU in Slovak  
27 Apr 90 pp 561-562

[Law No. 130/1990 concerning certain measures related to issuance of the citizen private enterprise law]

[Text]

## 130

LAW of the Slovak National Council, 27 April 1990, concerning certain measures related to the issuance of the law on citizen private enterprise.

The Slovak National Council has passed the following law.

## Section 1

The central government administrative office in matters of citizen private enterprise in the Slovak Republic Ministry of the Interior (hereinafter the ministry).

## Section 2

1. The ministry cooperates in the performance of government administrative tasks related to citizen private enterprise with the central government administrative offices in charge of the economic sectors within which the enterprise operates.

2. The ministry is authorized to request necessary position papers and opinions from the central government administrative offices cited in Section 1, and these offices are required to provide this information by the requested deadline.



3. The ministry issues permits to applicants for registration who have no permanent residence on the territory of the CSFR (Section 8, Paragraph 3 of law No. 105/1990, Sb., concerning citizen private enterprise.)

### Section 3

1. A category I city national committee or a regional national committee (hereinafter national committee) is the appropriate office for registration under the citizen private enterprise law (Law No. 105/1990, Sb., hereinafter the law). Category I national committees are defined in Section 10, Paragraph 3 of Law No. 69/1967, Sb. concerning national committees, as set forth in recent laws (full text in No. 157/1988, Sb.), and Slovak Socialist Republic Ordinance No. 156/1982, Sb., which designates important large cities and significant business centers, as set forth in Slovak Socialist Republic Ordinance No. 28/1989, Sb.

2. Registration decisions are made by the national committee of the permanent place of business, and if there is no such place, the national committee of the permanent residence of the entrepreneur.

3. The national committee makes decisions concerning registration, changes and termination of registration (Sections 7-12 of Law No. 105/1990, Sb.).

### Section 4

1. The national committee can levy a fine of up to 50,000 korunas [Kcs] on entrepreneurs who violate responsibilities provided in Section 10, Paragraph 1, Sections 19, 20, 23, 24, 25, and 27 of the law.

2. No fine can be levied on an entrepreneur who has been punished for the same violation of responsibilities under other laws.

3. The fine can be levied up to three months from the date the national committee learns of the violation of responsibility, and no more than one year from the date the violation occurred.

### Section 5

The following are deleted:

1. Section 4, Paragraph 1, letters b) and d), Sections 6-8 and Section 11 of Law No. 81/1957, Sb., concerning concerts and other musical activities;

2. Section 3, letter f), Sections 7, 8, and 10 of law No. 82/1957, Sb., concerning stages, artistic productions, and popular entertainment;

3. Section 22c of law No. 69/1967, Sb., concerning national committees, as set forth in Slovak National Council Law No. 107/1988, Sb. which amends and updates the national committee law;

4. Sections 15, 17, 28, and 30 of Slovak National Council Law No. 36/1978, Sb., concerning theatrical activities (the theater law);

5. Section 32d of Slovak National Council Law No. 32/1984, Sb., which amends and updates the Slovak National Council Law on government administration in education, and Slovak National Council Law on school facilities;

6. Sections 24-28 of Slovak National Council Law No. 130/1981, Sb. on domestic business, as set forth in Slovak National Council law No. 108/1988, Sb.;

7. SSR Government ordinance No. 64/1984, Sb., concerning the provision of temporary housing with private individuals with the consent of the national committee;

8. SSR Government ordinance No. 2/1988, Sb., concerning the sale of goods and provision of services by citizens with national committee permission;

9. Ministry of Education and Culture Decree No. 104/1965, Sb., concerning private instruction in the field of art and foreign languages;

10. Sections 51 and 52 of SSR Ministry of Commerce Decree No. 100/1982, Sb., which implemented certain provisions of Slovak National Council Law No. 130/1981, Sb., concerning domestic business.

### Section 7

This law takes effect on 1 May 1990.

R. Schuster, signature

M. Cic, signature

### Czech Council Supplement to Law on Private Enterprise

91CH0144D Prague SBIRKA ZAKONU in Czech  
27 Apr 90 pp 552-553

[Law No. 127/1990 on measures related to the issuance of the citizen private enterprise law]

[Text]

127

LAW, of Czech National Council, 25 April 1990, on certain measures related to the issuance of the citizen private enterprise law.

The Czech National Council has passed the following law.

### Section 1

1. The regional national committee (hereafter national committee) is the appropriate office for registration under the citizen private enterprise law (Law No. 105/1990, Sb., on citizen private enterprise) (hereafter the law).

2. Registration decisions are made by the national committee of the permanent place of business, and if there is

no such place, the national committee of the permanent residence of the entrepreneur.

3. The national committee makes decisions concerning registration, changes and termination of registration (Sections 7-12 of Law No. 105/1990, Sb.).

### Section 2

The Czech Republic Ministry of the Interior will issue a business permit to applicants who do not have a permanent residence on the territory of the CSFR. (Section 8, Paragraph 3 of Law No. 105/1990, Sb.).

### Section 3

1. The national committee can levy a fine of up to 10,000 korunas [Kcs] on entrepreneurs who violate responsibilities provided in Section 10, Paragraph 1, Section 13, Paragraph 1, Sections 19, 20, 23, 24, 25, and 27 of the law.

2. In the event that during discussions pertaining to Section 3, Paragraph 1 it becomes possible to levy a fine in excess of Kcs10,000 under special regulations, the national committee submits a finding to proceed under these regulations. The national committee can make the decision itself under Section 3, Paragraph 1, if no fine has yet been issued under these regulations. Under Section 3, Paragraph 3 no deadline is imposed from the submission of the finding until the national committee is informed of its disposition, or for three months from submission of the finding, whichever comes first.

3. No fine can be levied on an entrepreneur who has been punished for the same violation of responsibilities under other laws.

4. A fine can be levied no later than one year from the time when the violation occurred.

### Section 4

1. The Czech Republic Ministry of the Interior (hereafter the ministry) is required to cooperate with the central government administration offices responsible for the branches within which the business will operate in the conduct of state administrative tasks in the area of private citizen enterprise.

2. The ministry may demand necessary position papers and opinions from central government administration offices mentioned in Paragraph 1. These offices are required to provide this information according to ministry deadlines.

### Section 5

Permits issued to citizens under Czech National Council Law No. 127/1981, Sb., concerning domestic business, and under Ministry of Education and Culture Decree No. 104/1965, Sb., concerning private instruction in the field of art and foreign languages cease to be in force as of 30 September 1990.

### Section 6

The following are deleted:

1. Section 4, Paragraph 1, letters b) and d), Sections 6-8 and Section 11 of Law No. 81/1957, Sb., concerning concerts and other musical activities;

2. Section 3, letter f), Sections 7, 8, and 10 of law No. 82/1957, Sb., concerning stages, artistic productions, and popular entertainment;

3. Section 22c of law No. 69/1967, Sb., concerning national committees, as set forth in Czech National Council Law No. 115/1988, Sb. which amends and updates the national committee law;

4. Section 3, Paragraph 1, letters a) and b), Section 8, 9, 15, 17, 28, and 30 of Czech National Council Law No. 33/1978, Sb., concerning theatrical activities (the theater law), as set forth in Czech National Council Law No. 122/1989, Sb.;

5. Sections 10-14 and Section 21, Paragraphs 2 and 3 of CSR Ministry of Culture Decree No. 75/1978, Sb., which implements several theater law provisions, as set forth in CSR Ministry of Culture Decree No. 198/1989, Sb.;

6. Section 32d of Czech National Council Law No. 77/1978, Sb., concerning government administration in education, as set forth in Czech National Council Law No. 31/1984, Sb., which amends and updates the Czech National Council Law on government administration in education, and Czech National Council Law on school facilities;

7. Sections 24-28 of Czech National Council Law No. 127/1981, Sb., on domestic business;

8. CSR Government ordinance No. 63/1985, Sb., concerning the provision of temporary housing with private individuals with the consent of the national committee;

9. CSR Government ordinance No. 1/1988, Sb., concerning the sale of goods and provision of services by citizens with national committee permission;

10. Ministry of Education and Culture Decree No. 104/1965, Sb., concerning private instruction in the field of art and foreign languages;

11. Sections 51 and 52 of CSR Ministry of Commerce Decree No. 93/1982, Sb., which implemented certain provisions of Czech National Council Law No. 127/1981, Sb., concerning domestic business.

### Section 7

This law takes effect on 1 May 1990.

Safarik, signature

Pithart, signature

**Law on Relations Between Trade Unions,  
Employers**

*91CH0144C Prague SBIRKA ZAKONU in Czech  
23 Apr 90 pp 524-525*

[Law No. 120/1990 Sb.: "Codifying Certain Relations  
Between Unions and Employers"]

[Text]

**120**

LAW, 23 April 1990, codifying certain relations between  
trade unions and employers.

The CSFR Federal Assembly has passed the following  
law:

**Section 1**

Where legal regulations grant authority to the Revolution-  
ary Trade Union Movement [ROH], the same author-  
ization under the following conditions is now granted to  
union organizations and offices formed on the basis of  
free union association.

**Section 2**

1. If more than one union organization is active in an  
employer's organization, the employing organization  
must, in cases involving all or most employees, when  
generally valid laws demand negotiation with or agree-  
ment from a union, obtain the agreement from all  
participating unions, unless agreement is reached other-  
wise. If the offices of all participating unions do not agree  
no later than 15 days after a request whether to agree or  
not, the deciding view will be that of the union with the  
largest membership.

2. The provisions of the first sentence of the preceding  
paragraph also applies to the negotiation of collective  
contracts with the provision that the active unions in the  
employing organization can enter into negotiations in  
the name of the collective of employees with legal  
consequences for all employees only jointly and mutu-  
ally, unless another agreement is reached with the  
employing organization.

**Section 3**

1. If more than one union operates in an employing  
organization, the union of which a given employee is a  
member represents that employee in all labor relations  
and other issues involving that employee.

2. In cases such as those in Paragraph 1, an employee  
who is not a union member is represented by the unions  
with the largest membership, unless the employee spec-  
ifies otherwise.

3. If an office of a union organization does not agree to  
firing an employee or terminating that employee's job

immediately, upon request of the employing organiza-  
tion a senior office of the union may agree. If no such  
office exists, negotiations can be opened with an appro-  
priate office of the union.

4. If the union does not have a higher union office, an  
employing organization may take legal action under  
Paragraph 3 against a union functionary named in  
Section 59 of the labor code based on agreement from an  
office of the union.

**Section 4**

If an employing organization has an arbitration commis-  
sion (Section 207 and following of the labor code), action  
can be taken under Decree No. 42/1975, Sb., concerning  
the negotiation and resolution of labor conflicts by  
arbitration commissions, as specified by Law No. 25/  
1983., Sb.

**Section 5**

If the law requires that a legal regulation be issued with  
the agreement of an office of the Revolutionary Trade  
Union Movement, this regulation must be discussed  
before hand with appropriate union offices. Appropriate  
union offices are trade union and association offices that  
can delegate their authority to offices of a federation or  
confederation of trade unions and associations. The  
provisions of sentence 1 apply as well in relation to the  
appropriate central office of cooperative and social orga-  
nizations.

**Section 6**

This law takes effect on date of promulgation.

Havel, signature

Dubcek, signature

Calfa, signature

**Ordinance on Labor Laws for Citizen Private  
Enterprise**

*91CH0144B Prague SBIRKA ZAKONU in Czech  
23 Apr 90 pp 525-527*

[Law No. 121/1990, Laws of the CSFR, concerning labor  
laws for citizen private enterprise]

[Text]

**121**

GOVERNMENT ORDINANCE of CSFR Government,  
23 April 1990, concerning labor laws for citizen private  
enterprise.

The CSFR Government institutes, under Section 269,  
Paragraph 2 of the labor code, as set forth in Law No.  
188/1988, Sb. (full text in Law No. 52/1989, Sb.):

## INTRODUCTION

### Section 1

The labor code (hereafter the code) governs labor relations established by citizens engaged in private enterprise, unless this ordinance provides otherwise.

### Section 2

For the purposes of this ordinance, references in the code to rights and responsibilities for organizations (Section 8, Paragraph 1 of labor code) or an organization manager (Section 9, Paragraph 1 of the labor code), also apply to a citizen authorized to run a business under the special regulation (such as Law No. 105/1990, Sb., concerning citizen private enterprise) (hereafter entrepreneur).

### Section 3

If a trade union is active in the entrepreneur's organization, those parts of the code that define union activities apply to the organization.

## DIFFERENT PROVISIONS

### Section 4

The following provisions of the code do not apply to labor relations between an entrepreneur and employee: Section 9, Paragraph 4; Section 20, Paragraphs 1, 4, and 6; Section 21; Section 26, Paragraph 2; Section 27, Paragraphs 1, 3, and 4; Section 34; Section 35, Paragraph 3; Section 46, Paragraph 1, letter f), the portion of the sentence f=after the hyphen; Section 53, Paragraph 1, letters b) and c); Section 59, Paragraph 3; Sections 65-68; Section 72; Section 74, Paragraph 1, letters b), e), and h), and Paragraph 2; Sections 75, and 77-81; Section 82, Paragraphs 1, 3, and 6; Section 85 and 99a; Section 111, Paragraphs 2-5; Sections 112 and 113; Section 114, Paragraphs 1 and 3; Section 116, Paragraphs 1-3; Section 118; Section 119, Paragraph 1, last sentence; Section 139, Paragraph 4; Sections 140 and 141; Section 152, Paragraph 2; Section 176, Paragraph 4; Section 185, Paragraph 1, Paragraph 2, part of sentence after hyphen, and Paragraph 5, second sentence; Sections 186, 207-216, 227, 249-251, 268.; Section 269, Paragraph 1; and Section 271.

### Section 5

#### Collective Contract

1. To assure the legitimate interests and needs of employees, to improve their working, health, social, and cultural conditions, the entrepreneur can sign a collective contract with an appropriate trade union.

2. The entrepreneur and other employees specifically named in the contract are responsible for fulfilling the obligations of the entrepreneur stipulated in the collective contract and for the timely monitoring of their fulfillment. The trade union is responsible as stipulated in its constitution for meeting its contract obligations.

### Section 6

#### Immediate Termination of Work or Agreement Concerning Work Performed Outside of a Job

An entrepreneur can immediately terminate the job and, in some cases, an agreement concerning work performed outside a job when an employee violates, in a particularly gross manner, job responsibilities or an agreement concerning work performed outside the job. The terminated employee cannot legally request to continue in the job or the agreement concerning work performed outside the job.

### Section 7

#### Work Rules

An entrepreneur can institute work rules to maintain organizational order or strengthen work discipline.

### Section 8

#### Work Day

If the nature of a job or conditions of operation do not permit working hours to be distributed evenly by weeks, the entrepreneur can agree with the employee to an uneven work distribution. In some cases, under conditions specified in CSFR Government Ordinance (Section 13 of CSFR Government Ordinance No. 223/1988, Sb., the implementing legislation for the labor code) (Section 92, Paragraph 3, letter b) of the code), agreement can be reached concerning a continuous period of rest during the week; the average work time under such arrangements over a period of time, either four weeks or the calendar year, cannot exceed the limit established for one week of work.

### Section 9

#### Wages

1. The entrepreneur provides the employee with a wage based on wage regulations and in conjunction with internal wage regulations, work contracts, or a collective contract. The entrepreneur cannot provide any other monetary values to an employee connected with a job, unless permitted by the law. Payment in kind, and other compensation for work not paid in money can be made by an entrepreneur only if allowed by a wage regulation or other law, and then as part of wages.

2. Independent of overall enterprise performance, an employee is guaranteed a wage that cannot be lower, at a given rate level, than the sum of a basic wage rate under wage law (Section 13 of Federal Ministry of Labor and Social Affairs Decree No. 135/1990, Sb., concerning compensation of employees working for private entrepreneurs) plus wage supplements established in the wage law, unless the labor agreement does not specify a higher wage. A labor contract cannot stipulate a wage lower than that established by the wage law.

#### Section 10

The entrepreneur can establish work pacing standards. Work pacing standards must correspond to a work tempo appropriate for the physiological capabilities of the worker, include generally required breaks and time needed to utilize personal protection gear, and required by legal and other regulations governing workplace safety and health.

#### Section 11

1. For overtime work the entrepreneur must provide the employee with an additional payment of at least 25 percent of the base wage. If the overtime work is at night or during days of rest during a week, the extra payment must be at least 50 percent of the base rate. A wage regulation can stipulate a uniform rate of 33 percent of the base rate.

2. The entrepreneur can negotiate with an employee extra vacation in lieu of this overtime payment. This vacation time must be made available to the employee no later than three calendar months after the overtime work, unless a different period is agreed upon.

#### Section 12

In a labor or collective contract it may be agreed that some components of wages, with the exception of wages governed by Section 9, Paragraph 2, and wage supplements are payable no later than monthly.

#### Section 13

An entrepreneur who engages in business through a manager or other employee (Section , Paragraph 4 of Law No. 105/1990, Sb.) can set up a personal wage account for this manager, under conditions specified by the wage law. The personal account is for the deposit of nonwage components of compensation, as specified in the wage law, to which the manager has a right. Wages cannot, however, be deposited to this account under Section 9, Paragraph 2. The wage law stipulates the time period and conditions under which the appropriate compensation components can be paid from this personal account to the manager or other employee, and in which instances the manager's claim to these sums, based on long term performance, either partially or totally disappears.

#### Concern for Employees

#### Section 14

An entrepreneur can provide food and appropriate beverages for employees at the workplace or nearby. The entrepreneur can also provide employees with a contribution of up to Kcs 10 per day towards this food and drink. Food provided under this provision must be nutritional.

#### Section 15

The entrepreneur must take steps to improve employee qualifications and make sure that they are performing jobs appropriate for their qualification level.

#### Section 16

##### Different Use of Some Provisions

The appropriate labor regulations issued for organizations with similar activities govern the rights and responsibilities of the entrepreneur and employee stipulated in Section 74, Paragraph 1, letter g), Section 95, Paragraph 2, Section 105, Paragraph 4; Section 133, Paragraph 6, Section 150, Paragraph 2, and Section 167, par 2 of the code, .

#### Section 17

##### Transfer of Labor Rights and Responsibilities

The rights and responsibilities of labor relations are transferred to the heirs of the entrepreneur upon his death (Section 12, Paragraph 2 of Law No. 105/1990, Sb.)

#### Section 18

##### Validity

This ordinance takes effect on 1 May 1990.

Calfa, signature

#### Decree on Implementation of Foreign Currency Law

91CH0144A Prague SBIRKA ZAKONU in Czech  
15 Jun 90 p 897

[Decree No. 234/1990: "Laws of the CSFR"]

[Text]

#### 234

DECREE of Federal Ministry of Finance and Czechoslovak State Bank, 13 June 1990, updating Federal Ministry of Finance [FMF] and Czechoslovak State Bank [SBCS] Decree No. 169/1989, Laws of the CSFR [Sb.], implementing a foreign currency law.

The Federal Ministry of Finance and Czechoslovak State Bank establish, under Section 56 of foreign currency law No. 162/1989, Sb., as set forth in Law No. 109/1990, Sb. (hereafter referred to as the law):

#### Article I

Federal Ministry of Finance and Czechoslovak State Bank Decree No. 169/1990, Sb., which implemented a foreign currency law, is amended as follows:

1. In Section 1, Paragraph 2 the words "or with an entrepreneur under special regulations<sup>1a</sup> (hereafter entrepreneur)" are added after "legal entity," and the



words "who are required" replace the words "which is required." Below the line, note <sup>1a</sup> is amended to read:

"<sup>1a</sup> Law No. 105/1990, Sb., concerning citizen private enterprise."

2. In Section 2, delete the words "- legal entity."

3. In Section 3, the words "and entrepreneur" are added after the words "or foreign currency plan," and the words "is required" are replaced by the words "are required." Below the line, note <sup>5</sup> is amended to read:

"<sup>5</sup>The provisions of Section 3 of this Decree do not apply to taxes and fees collected or deducted, under existing regulations, in foreign currency. These foreign currency resources do not fall under the offer requirement, because they are entered in the appropriate budget in the currency in which they are collected or deducted."

4. In Section 6, Paragraph 1, letter l) the final period is replaced by a comma and a new letter m) added, which reads:

"m) payment of costs associated with processing a request of a domestic judicial office abroad."

5. In Section 7, letter l), the words "and residence for study purposes" are added after the words "with affiliations."

6. In Section 7, letter r) the words "paid to working artists as compensation for an artistic work from an authorized organization and" are added after the word "honoraria."

7. In Section 10, Paragraph 1, the sum "600 korunas [Kcs]" is replaced by the sum "Kcs1,000" in the first and second sentences.

8. In Section 10, Paragraph 3, a sentence is added, reading:

"For this purpose a confirmation issued by the Center for International Legal Protection for Youth will be submitted to the foreign currency institution handling the transfer."

9. In Section 16, the current text is designated as Paragraph 1, and a new Paragraph 2 is added, reading:

"(2) The condition of counter imports (Section 33, Paragraph 4 of the Law) does not apply to values mentioned in Paragraph 1."

10. In Section 17 the current text is designated as Paragraph 1, and a new Paragraph 2 is added, reading:

"(2) The condition of counter imports (Section 33, Paragraph 4 of the Law) does not apply to values mentioned in Paragraph 1."

## Article II

This Decree takes effect on date of issuance.

CSFR Minister of Finance: Eng. Klaus, signature

Chairman of SBCS: Eng. Tosovsky, signature

## Decree on Licensing Sale of Goods and Services for Foreign Currency

91CH0102B Prague SBIRKA ZAKONU in Czech  
6 Sep 90 pp 1307-1308

["Text" of the 31 August 1990 Federal Ministry of Finance Decree No. 370/1990 Sb. on Licensing the Sale of Goods and Services for Foreign Currency on the Territory of the Czech and Slovak Federal Republic]

[Text] Acting in agreement with the Czechoslovak State Bank and the Federal Ministry of Foreign Trade, and in accordance with Section 22, Item j), of Law No. 42/1980 Sb. on Economic Relations With Foreign Countries, as modified and amended by subsequent regulations (hereinafter: the Law), the Federal Ministry of Finance has issued the following decree:

### Section 1

1. This decree regulates the licensing of the sale of goods and services for foreign currency<sup>1</sup> on the territory of the Czech and Slovak Federal Republic (hereinafter: sale for foreign currency); furthermore, the details of the procedures for granting, amending and revoking licenses to sell for foreign currency, and also the cases when licenses to sell for foreign currency are not required.

2. The decree does not apply to vouchers for goods and services of the Tuzex Foreign Trade Enterprise<sup>2</sup> or to activity based on the right to engage in foreign trade.

### Section 2

Czechoslovak or foreign persons [and legal entities] are entitled to sell for foreign currency on the basis of a license that the Federal Ministry of Finance issues in agreement with the Czechoslovak State Bank and the Federal Ministry of Foreign Trade (hereinafter: license) and in accordance with the conditions specified in Section 19, Paragraph 5, of the Law and in Section 3 of the present decree, except in cases when the Law or the present decree does not require a license.

### Section 3

Czechoslovak or foreign persons [and legal entities] are licensed to sell for foreign currency under the following conditions:

a) The goods and services will be priced in freely convertible currencies included in the Czechoslovak State Bank's list of exchange rates (hereinafter: convertible currency), and payment will be accepted in convertible currency.

b) Czechoslovak or foreign persons [and legal entities] will sell for foreign currency in business establishments, in a way which brings to the customer's attention that all sales are for foreign currency. If the sale for foreign

currency is not transacted in a business establishment, the customer must be told before the sale that it will be for foreign currency.

#### Section 4

1. The application for a license to sell for foreign currency must contain:

- a) The applicant's firm name and business address (or name and address).
- b) The type of goods or service that is to be sold or provided for foreign currency.
- c) The anticipated revenue from sales for foreign currency.
- d) A statement as to whether the sales for foreign currency will be to Czechoslovak or foreign customers. 2. The applicant must attach a receipt of his deposit by way of security.<sup>3</sup>

#### Section 5

The license to sell for foreign currency does not replace the licensing or registration that generally binding statutory regulations require.<sup>4</sup>

#### Section 6

1. The license specified in Section 2 of the present decree is not required for the following:

- a) Accommodation, and related services if rendered on the premises, by Czechoslovak persons [and legal entities] to foreigners for convertible currency;
- b) The letting of nonresidential premises by Czechoslovak persons [and legal entities] to foreigners for convertible currency;
- c) Auditing, counseling and consulting services rendered by Czechoslovak persons [and legal entities] to foreigners for convertible currency;
- d) Translation, interpreting and guide services rendered by Czechoslovak persons [and legal entities] to foreigners for convertible currency; and
- e) Legal assistance rendered by licensed Czechoslovak persons, in accordance with generally binding statutory regulations, to foreigners for convertible currency.

2. In the cases listed in Paragraph 1, the conditions specified in Section 3 of the present decree must be met.

#### Section 7

In agreement with the Czechoslovak State Bank and the Federal Ministry of Foreign Trade, the Federal Ministry of Finance may amend or revoke the issued license in the case of noncompliance with the conditions specified in the present decree, or it may amend the issued license at the request of the Czechoslovak or foreign person [or legal entity].

#### Section 8

The licenses issued before the effective date of the present decree remain valid.

#### Section 9

Decree No. 83/1988 Sb. on the Conditions of Selling Goods and Services for Foreign Currency on the territory of the Czechoslovak Socialist Republic is hereby rescinded.

#### Section 10

The present decree becomes effective 10 September 1990.

[Signed] Eng. Klaus, Minister of Finance

#### Footnotes

1. Section 2 of Law No. 162/1989 Sb. on Foreign Exchange, as modified and amended by Law No. 109/1990 Sb.

2. Joint Decree of the Federal Ministry of Foreign Trade and Federal Ministry of Finance No. 8/1981 Sb. on Goods and Services Vouchers of the Tuzex Foreign Trade Enterprise.

3. Section 19, Paragraph 5, and Section 7b of Law No. 42/1980 Sb. on Economic Relations With Foreign Countries, as modified and amended by subsequent regulations.

4. For instance: Law No. 42/1980 Sb. on Economic Relations With Foreign Countries, as modified and amended by subsequent regulations; Law No. 162/1989 Sb. on Foreign Exchange, as modified and amended by Law No. 109/1990 Sb.; Law No. 105/1990 Sb. on Private Enterprise [Sole Proprietorships and Partnerships]; Law of the Czech National Council No. 127/1981 on Domestic Trade, as modified and amended by subsequent regulations; and Law of the Slovak National Council No. 130/1981 Sb. on Domestic Trade, as modified and amended by subsequent regulations.

#### Law on Transfers of State-Owned Assets

91CH0102A Prague ZEMEDELSKE NOVINY  
in Czech 27 Oct 90 p 3

["Text" of the 25 October 1990 Law on Transfers of Some State-Owned Assets to Other Legal Entities or Persons to be effective on 1 December 1990]

[Text] The Federal Assembly of the Czech and Slovak Federal Republic has passed the following law:

## PART 1 BASIC PROVISIONS

### Section 1

The law determines the conditions under which some state-owned assets, which state enterprises, budget-financed and state-subsidized organizations or national committees (hereinafter: organizations) are entitled to manage on 1 November 1990, are transferred to the persons or legal entities specified below.

### Section 2

1. Transfer of ownership pursuant to the present law applies to movables and immovables that are assets of operating sections of organizations engaged in services, trade or production other than farming, and form or can form a complex that is a complete business establishment or property unit (hereinafter: operating unit).

2. The operating units to which persons or legal entities maintaining their residence or place of business in a foreign country have a right of use, cannot be transferred [pursuant to the present law].

3. Furthermore, the following likewise cannot be transferred:

a) The operating units to which the Law on Alleviating the Consequences of Certain Property-Related Injustices applies, as long as the persons entitled to do so are able to reclaim the property;

b) The operating units whose ownership passed from persons, or from business associations in which all the [shareholders or] partners were persons, to the state on the basis of regulations issued after 25 February 1948, or for other reasons after that date, unless separate regulations are issued regarding the property claims of such persons or legal entities.

### Section 3

Unless the present law specifies otherwise, the persons who are citizens of the Czech and Slovak Federal Republic or were Czechoslovak citizens after 25 February 1948, and the legal entities whose shareholders or partners are exclusively such persons (hereinafter: persons and legal entities), can become the owners of operating units.

## PART 2

### PUBLIC AUCTION OF OPERATING UNITS

#### Section 4

1. The organizations shall sell the operating units at public auction.

2. The appropriate agencies of the Czech or the Slovak Republic (hereinafter: the appropriate republic agency)<sup>1</sup> organize the public auctions.

3. The appropriate agencies of the republics shall prepare and certify the particulars of sale for the operating units that will be put up for auction. The particulars of sale must contain:

a) The exact designation of the operating unit, by giving:

1) Its name and location;

2) The name and place of business of the organization entitled to manage the operating unit;

3) The list of the plots, buildings, machinery, equipment and other fixed assets;

b) The upset price and its breakdown;

c) The place, date and time of the public auction;

d) The place where, and the manner in which, deposits are accepted as security;

e) The conditions under which the interested persons will be able to inspect the operating unit;

f) The amount of credit granted the organization to procure inventories for the given operating unit, and the conditions for obtaining further credit.

4. If the building that houses the operating unit and the land on which it stands are not being sold together with the operating unit, their accurate designation must also be included in the particulars of sale, together with the name of the person who owns them or the name of the organization entitled to manage them.

5. The inventories in stock, taken the day the particulars are prepared, and their value are a part of the particulars of sale.

6. The operating units' particulars of sale must be displayed in public for at least 30 days before the day of the auction; laws passed by the national councils determine the manner in which the particulars of sale are posted for public display.

### Section 5

1. Anyone wishing to participate in the public auction as a potential bidder for the operating unit (hereinafter: participant in the auction) must provide proof of having deposited as security 10 percent of the upset price, but at least 10,000 korunas [Kcs].

2. The successful bidder's deposit, less the fee for the right to participate in the auction, is credited toward the operating unit's purchase price. The deposits of the other participants are refunded to them, after deducting their respective fees for the right to participate in the auction.

3. The fee for the right to participate in the auction is Kcs1000.



4. If the successful bidder fails to tender the operating unit's purchase price within the specified time limit, he forfeits his deposit to the appropriate republic agency.

5. Other persons may attend the public auction if they pay the admission fee.

#### Section 6

1. The appropriate republic agency appoints the auctioneer who conducts the public auction.

2. A representative of the appropriate republic agency oversees that the public auction takes place in an orderly manner.

3. During the public auction, the auctioneer must neither favor nor restrict any of the participants; he may not bid, either directly or through a representative, for any of the assets being sold at the auction he is conducting. This applies also to persons close to the auctioneer.<sup>2</sup>

#### Section 7

The persons who are acting for the appropriate republic agency at the auction are likewise barred from bidding, either directly or through an agent, for the assets that are being sold at auction. This applies also to persons close to them.

#### Section 8

The upset price includes the value of the land and buildings determined in accordance with the valuation regulations that are in force<sup>3</sup>, the value of the machinery, equipment, and other fixed assets and the value of the semifixed assets.

#### Section 9

1. The auctioneer opens the public auction by announcing the operating unit that is being sold, the upset price (Section 8), and also the value of the inventories on the day of the auction, without the semifixed assets. The bidding continues as long as there are higher offers. If no higher offer is made after two calls for a higher bid, the auctioneer repeats once again the amount of the last bid, and if no higher bid is made within three minutes thereafter, he knocks down the sale to the last bidder (hereinafter: the successful bidder).

2. A memorandum is prepared of the public auction's proceedings and is signed by the organization's representative, the appropriate republic agency's representative, the auctioneer, and the successful bidder.

3. The purchase price consists of the price of the assets sold at auction, and of the price of the inventories without the semifixed assets. The inventory levels and their value on the day the operating unit is handed over must not differ significantly from the inventory levels and their value on the day of the auction.

#### Section 10

If the operating unit cannot be sold at public auction in the manner specified in Section 9, and if at least five persons are participating in the auction, the auctioneer may gradually reduce the upset price by 10 percent each time, but by not more than 50 percent in all. If the operating unit cannot be sold even so, the auctioneer closes the auction.

#### Section 11

1. At the drop of the auctioneer's hammer, ownership of the assets sold at auction passes to the successful bidder. Within 30 days from the day of the auction, he is required to pay the purchase price, less the balance of his deposit (Section 5, Paragraphs 2 and 3), into the appropriate republic agency's special account.

2. If the successful bidder fails to pay within the specified time limit the purchase price of the assets sold at auction, the transfer of ownership is rescinded, and he forfeits his deposit to the appropriate republic agency. That does not affect the organization's claim for damages against the successful bidder, for breach of contract and unlawful enrichment.

3. The successful bidder pays the organization the price of the inventories within 30 days.

#### Section 12

1. At the drop of the auctioneer's hammer, the successful bidder gains the right to use the operating unit, but he also assumes the risk of its accidental destruction or deterioration.

2. The previous owner is not liable for any defects of the operating unit sold at auction.

3. If the successful bidder fulfills the conditions specified in Section 11, Paragraph 1, the appropriate republic agency issues him a certificate attesting to the fact that he bought the operating unit at public auction, and that he became the operating unit's owner the day the auctioneer accepted and knocked down his bid. If the operating unit is real property, the appropriate republic agency sends one original copy of the aforementioned certificate to the geodesy and cartography office concerned, to have the transfer of ownership entered in the real estate records.

#### Section 13

1. The appropriate agencies of the republics will compile the particulars of all the assets whose sale at auction pursuant to Sections 4-12 did not succeed, and shall decide which assets to put up for auction once again. The provisions of Sections 4-12 will apply to the second auction as well.

2. If the same operating unit is being auctioned the second time, it may be acquired not only by the persons and legal entities specified in Section 3, but also by other persons [and legal entities] whose shareholders or partners are exclusively persons.

3. If the participants in the second auction are only the persons and legal entities specified in Section 3, the auctioneer may lower the upset price in accordance with Section 10, except that the upset price may be lowered by as much as 80 percent.

#### Section 14

If the operating unit being sold is on land the organization is entitled to manage, and if it is an integral part of that land, the operating unit must be sold together with the land.

#### Section 15

The successful bidder has the right to lease the nonresidential premises<sup>4</sup> in which the operating unit is located. He has the right to use the premises for two years, unless he and the owner, entitled manager or the legal successor of either agree otherwise.

#### Section 16

1. In the case of an operating unit that on 1 October 1990 was being used under a contract granting temporary use of a business establishment<sup>5</sup> or a contract that is a substitute for the aforementioned one<sup>6</sup>, the operating unit is sold without an auction if the person or the legal entity that concluded the contract with the organization (hereinafter: the user) so requests not later than 5 days before the auction's scheduled date.

2. The organization concludes with the user a contract of sale for such an operating unit, and simultaneously they settle their mutual claims arising from the establishment's use or in conjunction with.

3. The purchase price is determined in accordance with Section 8.

4. If the contract of sale is not concluded within 60 days from the day the auction was announced, the user's right under the contract mentioned in Paragraph 1 ceases, and the operating unit can be sold at auction. The other mutual claims of the user and of the organization are not affected.

5. With the sale, the purchaser gains the same rights as the successful bidder does pursuant to Section 15.

### PART 3

#### TRANSFeree'S OTHER OBLIGATIONS

#### Section 17

1. In the first two years from the day of the auction, the operating unit sold at auction may be transferred only to a person or legal entity specified in Section 3, or in Section 13, Paragraph 2, if the operating unit was sold at a second auction.

2. If the organization used all or a part of the operating unit to sell staple foods before the auction, the successful bidder is obliged to resume such sales within seven

workdays following the auction, and to continue them for at least a year, unless the local council agrees to shorten this period at his request.

3. The provisions of Paragraphs 1 and 2 apply also to the person or the legal entity that acquired the operating unit on the basis of a contract of sale pursuant to Section 16.

#### Section 18

1. If the person or legal entity fails to fulfill the obligation specified in Section 17, Paragraph 2, the appropriate republic agency may fine the person or legal entity Kcs2000 for each workday the obligation was not fulfilled.

2. The fine may be imposed within a year from the day the violation of this obligation occurred.

### PART 4

#### THE LIQUIDATION OF STATE ENTERPRISES

#### Section 19

The founder of a state enterprise whose operating units have been sold pursuant to the present law will consider whether the enterprise's continued existence is warranted. If the founder decides to dissolve the enterprise,<sup>7</sup> it undergoes liquidation in accordance with special regulations,<sup>8</sup> and the final proceeds from liquidation are deposited on a special account.<sup>9</sup> If the proceeds from liquidation are insufficient to satisfy all the remaining creditors, the state will satisfy their claims through the appropriate republic agency.

### PART 5

#### FINAL PROVISIONS

#### Section 20

1. The net proceeds from the sale of operating units pursuant to the present law must be paid into the appropriate agency's special account.

2. For a period of two years, the funds on this account may not be used for any purpose other than to satisfy the claims and pay the obligations arising from the present law's implementation.

#### Section 21

At the request of the appropriate agencies of the republics, the employees of the organizations and operating units must provide the requested information, records and documents, and must grant them access to the operating units.

#### Section 22

The present law does not affect the relations under labor law between the organizations and their employees.

### Section 23

1. The following do not apply to transfers of ownership pursuant to the present law: Law No. 174/1950 Sb. on Auctions Other Than Under a Writ of Execution; Legal Measure of the Federal Assembly No. 364/1990 Sb. on Disposing of Property Entrusted to a State Enterprise; and Section 32, Item a), of Decree of the Federal Ministry of Finance No. 119/1988 Sb. on the Management of National Property.

2. The price at which an auctioned asset is sold is not subject to the provisions of the valuation regulations.<sup>3</sup>

### Section 24

The Czech Republic's Ministry for the Administration and Privatization of National Property and the Slovak Republic's Ministry for the Administration and Privatization of National Property shall issue generally binding statutory provisions regulating the details of public auctions, including the admission fee.

### Section 25

Section 26, Paragraph 4, of Law No. 162/1989 Sb. on Foreign Exchanges, as modified and amended by Laws Nos. 109/1990 and 403/1990 Sb., is hereby amended to insert after the word "wrongs" the passage "or by auction pursuant to Law No. [not given]/1990 Sb. on Transfers of Some State-Owned Assets to Other Legal Entities or Persons."

### Section 26

The present law becomes effective 1 December 1990.

### Footnotes

1. Law of the Czech National Council No.[not given]/1990 Sb. on the Authority of the Czech Republic's Agencies in Matters Pertaining to Transfers of Some State-Owned Assets to Persons or Legal Entities. And

Law of the Slovak National Council No.[not given]/1990 Sb. on the Authority of the Slovak Republic's Agencies in Matters Pertaining to Transfers of Some State-Owned Assets to Persons or Legal Entities.

2. Section 116 of the Civil Code, Law No. 40/1964 Sb.

3. Decree of the Czech Republic's Ministry of Finance, Prices and Wages No. 182/1988 Sb. on the Value of Buildings, Land and Perennial Stands, and on Compensation for Establishing a Usufruct of Land or for the Right of Temporary Use of Land, as modified and amended by subsequent regulations. And Decree of the Slovak Republic's Ministry of Finance, Prices and Wages No. 205/1988 Sb. on the Value of Buildings, Land and Perennial Stands, and on Compensation for Establishing a Usufruct of Land or for the Right of Temporary Use of Land, as modified and amended by subsequent regulations.

4. Section 3 of Law No. 116/1990 Sb. on Letting and Subletting Nonresidential Premises.

5. Part II of the Czech Republic's Government Ordinance No. 1/1988 Sb. on the Sale of Goods and Services by Individuals Licensed by the National Committee, and Part II of the Slovak Republic's Government Ordinance No. 2/1988 Sb. on the Sale of Goods and Services by Individuals Licensed by the National Committee.

6. Section 15, Paragraph 1, of Law No. 116/1990 Sb. on Letting and Subletting Nonresidential Premises.

7. Section 26 of Law No. 111/1990 Sb. on the State Enterprise.

8. Sections 27a *et seq.* of the Commercial Code, Law No. 109/1964 Sb., as modified and amended by subsequent regulations.

9. Section 251 of the Labor Code, Law No. 65/1965 Sb., as modified and amended by subsequent regulations.